

Is Attrition a big concern to employers? A study about employee attrition with reference to IT industry.

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Abstract

When people see options, they always give a try and go for it. It is a human nature to look for alternatives whenever they came across better options irrespective of product or process, whatever it may be. So there is no way for the job change too to escape from this human psychology. Organization should always keep an eye on this to grasp the attention of employees. Like retaining the customers, organization should also look after their employees to arrest attrition, there by valuable employees can be retained. But the bitter truth here is most of the organizations fails to give equal weightage to their employees as they do for their clients. For any Organization employees are not inferior to their customers who chose best options whenever they get a chance. It's time to ignore the fact that people change their job only for monetary benefits. Because there are people who stick to their jobs in which they are happy even they are offered with higher pay elsewhere. It gives food to thoughts to look the reason for job attrition in another dimensions other than salary factor. Thus this paper limelight's the types of employees, factors affecting employee retention, voluntary employee turnover ignoring salary factor and finally ways to arrest attrition and improve retention.

keywords: *Attrition, Retention, Factors, Employees, IT industry.*

1. INTRODUCTION

Attrition is big problem and not a new problem. It has existed earlier and will continue to exist in any industry. But the real challenge lies in handling the attrition and ways to arrest it. It is a ticking time bomb. According to PTI report published in 2013, many Indian companies are facing challenges in attracting and retaining employees with a high attrition rate of 14 percent, which is more than the global average⁹. In 2012, HR consultant Towers Watson expressed a concern that an organization in 2020 will have only 22% of the employees it had in the year 2012. Turnover takes more of a recruitment budget than you might actually think. The larger cost of valuable employees leaving is directly proportional to loss in productivity. There are two types of attrition, (i) **Involuntary turnover** or *Drive Attrition*, which occurs as a result of organization's decision based on several factors like recession, outside market condition, organization restructuring, disciplinary action etc. (ii) **Voluntary turnover** or *Drag Attrition* (resigning & leaving the organization). In any organization, they don't need to worry much about involuntary turnover as the number may be very little and impact also will be minimum. But

'drag attrition or voluntary turnover' is the one which the organization has to track it with hawk-eye as the impact will be huge and it indicates that something abnormal happening in the organization and organization failed to understand things happening around it. It will also have a huge impact not only on productivity, but also damage the brand image of an organization to outside real world. It exposes the inability of an organization which is proportional to the growth of an organization. The competitors use it has one of the competitive factor to overtake their rivals in their business race e.g.: competitors hire employees who resigned from their rival organization, loss of client/customer confidence and so on.

As per economic times report, Infosys' employee attrition hit a record high rate of 19.5% in the April-June quarter of 2014-15 fiscal from 16.9% in the year-ago period, signaling that the internal woes of the country's second largest IT services firm are not yet over¹⁰. Commenting on attrition rate, **Infosys EX COO UB PravinRao** said: "*Employee attrition rates are worrisome and we are implementing various initiatives to retain good talent*". India's National Association of software and service companies (NASSCOM) reports that 158 Fortune 500 companies have outsourced a wide range of software service need to Indian companies. Many have also set up their own development in India¹¹. Given this reality, we will surely going to witness near-insatiable demands for software talents.

2. REVIEW OF LITERATURE

The significance of employee's attrition and retention are widely discussed in the literature.

According to **Loquercio (2006)**, rarely people leave their jobs in which they are happy, even they are offered with higher pay elsewhere¹.

According to **H.L. Kaila**, one of the most notable shifts in the workplace in recent years has been the rapid disappearance of the prototypical loyal employee who would work 30 or 40 years for the same corporation and then retire with a gold watch and a pension. Many workers today hold positions at multiple companies during their careers, and many feel no particular loyalty to remain at any organization for any great length of time².

Mirvis and Lawler (1984) suggested that Quality of working life was associated with satisfaction with wages, hours and working conditions, describing the "basic elements of a good quality of work life" as; safe work environment, equitable wages, equal employment opportunities and opportunities for advancement⁴.

Mobley et al (1979) revealed that age, tenure, overall satisfaction, job content, intentions to remain on the job, and commitment were all negatively related to turnover. i.e. higher the variable, lower the turnover⁵.

Shobha Mishra & Manju Bhagat, in their 'Principles for Successful Implementation of Labour Welfare Activities', stated that labour absenteeism in Indian industries can be reduced to a great extent by provision of good housing, health and family care, canteen, educational and training facilities and provision for welfare activities⁶.

Ammu Anantharaja (2009) said that employees change their jobs due to monotonous nature of job apart from career growth, compensation and supervision⁷.

Masahudu (2008) has identified another important variables “employers’ geographic location” that may determine attrition. The closeness of employees to their families and significant others may be a reason to look elsewhere for opportunities or stay with their current employers. For instance, two families living and working across two time zones may decide to look for opportunities closer to each other.

Marcus Buckingham and Curt Coffman, author of the book called "First Break All the Rules," wrote " People leave managers not companies"⁸.

3. OBJECTIVES

- (i) To understand the nature of employee.
- (ii) To identify and study the factors that contribute to voluntary employee attrition.
- (iii) Recommendations/suggestions to reduce attrition based on the factors studied.

4. RESPONDENTS' PROFILE:

Data's are collected from 100 employees working in different IT companies through random sampling technique through direct interaction and questionnaire methods. Secondary data's are collected from various magazines, journals and the internet.

5. UNDERSTANDING THE NATURE OF EMPLOYEE:

For any organization, employees are one among the key resources to achieve their goals. If the employees leaves the organization, it will create a deviation in organizational plan which in turn will cause delay in achieving their goals. Hence it is very important to study the nature of employee. In 2006, Monster studied workers to assess the nature/attitude and categorized employees in to three categories.,

5.1 Settled Loyalists: They are settled for variety of personal and professional reasons. They are difficult to recruit, and they have very high personal barriers to leaving their current job.

5.2 Poised Loyalists: These have a lower personal barrier to switching. This segment represents a vulnerability to their employers and provides an opportunity for recruiters.

5.3 Poised Opportunists: These workers are clearly open to the next opportunity to change. They are open to approaches; they post their resumes online also reply to recruiting calls or both.

In our study we identified 26% fall under settled loyalist category, where as 17% and 57% of employees falls in poised loyalist and poised opportunists category respectively.(Refer Figure-1)

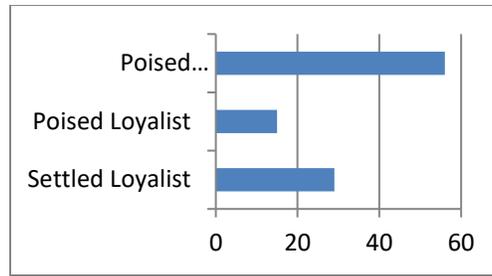


Figure 1. Nature of Employees

Once an organization successfully able to identify which category an employee fits in, it will help the organization to have some control over the attrition rate.

6. FACTORS AFFECTING VOLUNTARY EMPLOYEE ATTRITION:

The debate about whether money motivates employees more than other factors has been prevalent in organizations for quite a long time. Yes of course money matters to some people. There are few group of employees who will simply switch their jobs just for salary and never consider about any other factors and their primary motto is simply earning money. We can't control those people as it is very difficult too. But there are other factors needs to be considered where employees ready to remain in same organization if other factors are compensated for money. As **Loquercio** mentioned, rarely people leave their jobs in which they are happy, even they are offered with higher pay elsewhere. Review of various research studies indicated that employees resign for a variety of reasons¹. Though there are many reasons that cost for attrition, but below are the most vulnerable factors that severely disturb the mindset of any employee. These factors are chosen based on the literature review and survey from employees. They are QWL, Potential for growth, Boss-subordinate relationship, job performance/job satisfaction/job security, Recognition&Reward systems, Commutation, Demographic factors, Brand&Infrastructure, Healthcare &other benefits, leave management, job location and higher education.

7. RESULT & FINDINGS:

1) It is found that the percentage of attrition was the highest (68%) among the male respondents compared to 32% of female respondents, which concludes the demographic factor 'gender' has close relationship with attrition. (Refer Figure-2)

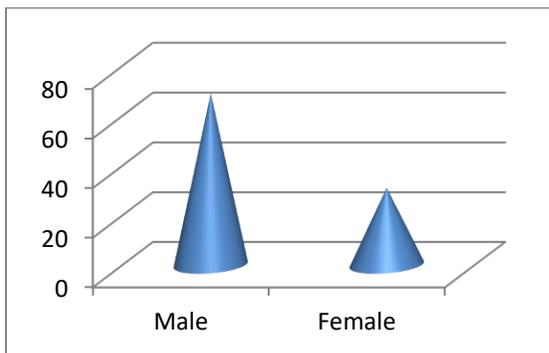


Figure 2. Gender

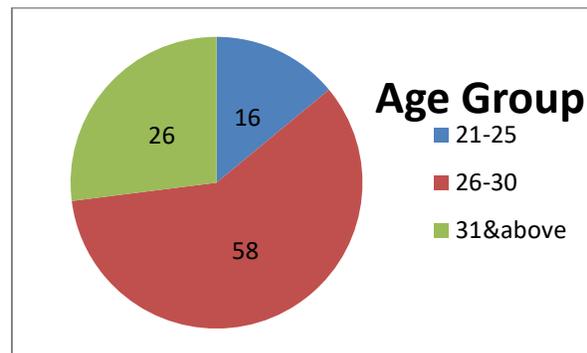


Figure 3. Age

2) It is found that the percentage of attrition was the highest (58%) among the respondents of 26-30 age categories and was the lowest (16%) among the 21-25 age group and the 26% among the respondents of 31 and above age group. This analysis clearly reveals that another demographic factor ‘age’ has impact on attrition. (Refer Figure-3)

3) It was found that the percentage of attrition was the highest(60%) among the respondents of 2-6 years’ experience and 29% attrition among 6-10 years of experience and 11% among the 10+ years of experience. From analysis it is found that attrition is high among career starters who frequently change their jobs to cater their career needs. (Refer Figure-4)

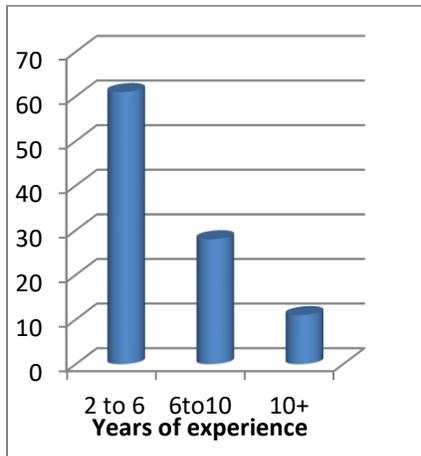


Figure 4. Yrs of Experience

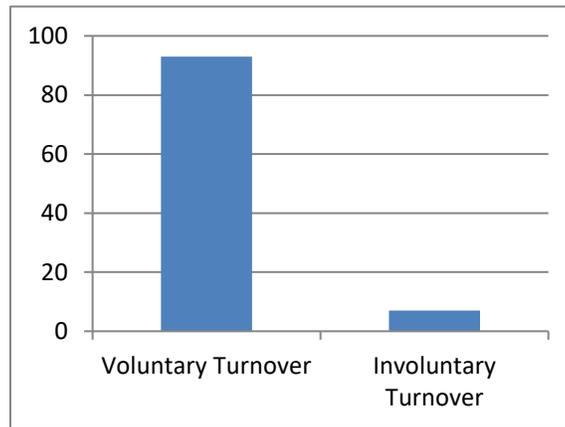


Figure 6. Turnover Type

4) Employees leave organization due to various reasons other than salary factor.(Refer Figure-6)

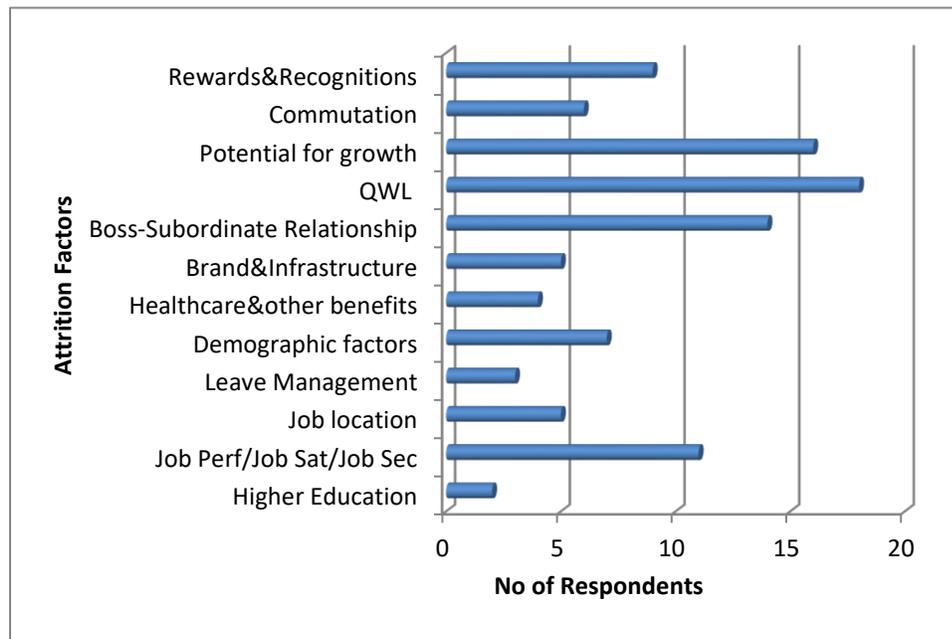


Figure 5. Attrition Factors

- 5) Boss-subordinate relationship stands third in the reason for attrition with 13%. Boss/managers/supervisors create problems for employees in different ways by being too authoritative, too selfish, too critical neglecting the fact that employees are not fixed assets. They are free agents who walk away if not treated properly.
- 6) Almost all employees join IT firms with some objectives and dreams. If they fail to fulfill them, they quit/change their jobs. Analysis shows 17% shift due to lack of QWL. 11% shift due to job performance/satisfaction/security. 16% owing to potential for growth.
- 7) Very few professionals (8%) left their jobs involuntarily compared to voluntary attrition of about 92%. (Refer Figure-6)
- 8) Female IT professionals leave their jobs as they shift the cities due to marriage and family reasons. 7% IT professionals resign due to personal and family problems. 4% employees change their jobs owing to shifting to other cities/hometown due to their parent health or to look after them.
- 9) About 45% believe that having portable and flexible benefits can improve retention.
- 10) Around 48% of respondents believe that the non-financial incentives can also arrest attrition.
- 11) 57% of the respondents think that the existing measure taken to counter talent outflow seems to be insufficient.

8. RECOMMENDATIONS:

- a) Today in an effort to earn more money, employees missing on the vital point of balance between work and life by started working for 12-14 hours instead of 8-9 hours. This raised serious question about 'Quality Work Life' violations. So there is a serious need to restructure the employee work schedule and bring about a balance between the employee work lives.
- b) Companies should provide an opportunity to accelerate the employee's career growth by means of providing world class trainings, career development and management programs, more financial sponsor and support to employees to pursue higher qualification/education.
- c) Focus on continuous improvement of organization culture to foster friendly and comfortable environment.
- d) Frequently monitoring the turnover rate and consider them as vital factor in policy formulation.
- e) Ensure fair employee treatment and fair appraisal system. If require replace old traditional appraisal system by 360 degree feedback system or with new innovative systems. Wipro Technologies follows Quarterly Appraisal System instead of usual Annual Appraisal system to assess the employee every quarter and reward them with suitable monetary benefits.
- f) Rewards should be based on merit and promotions should be directly proportional to seniority, talent and merit.

- g) Management should continuously revisit their present benefits to match them with their competitors in the market on regular interval. Update/replace their benefits whenever it is demanded.
- h) Provide periodic counseling and stress management programs to employees with respect to their work life balance, career to improve employee loyalty and overcome their problems and stress.
- i) Grant stock option to employees has an additional benefit. Extend this feature to employees at all employee levels rather than by restricting it only to top level employees.
- j) Exit interview stands out to be the best option to identify the roots of the attrition problem. It helps HR to understand the employee needs and discover workplace issues and also unearth problem areas. But HR managers should know how to interpret the results obtained from exit interview. It is an effective tool for talent retention when used effectively.
- k) Finally focus on strengthening the recruitment process. Any organization should keep in mind the thumb rule 'hiring Right People for right job'. Hence it is very important to be open and realistic with potential hires.

9. CONCLUSION:

Despite more retention techniques, why is the attrition rate still high? The reason being the IT industry is still not a favourite industry for many young people and workforce due to overly high performance expectations and monotonous job nature. A 'one size fits all' approach does not work and cater to all categories of employees. A well-defined career roadmap sandwiched with skill development opportunities will control attrition and improves retention. High employee attrition will also damages the morale of the employees who remain thus making them less productive. Attrition takes more of a recruitment budget than you might think. The larger cost of valuable employees leaving is lost productivity. Thus high recruitment, replacement and training cost, decline in productivity caused by outflow of knowledge, loss of man power and demoralization among remaining employees due to attrition will affect the positive vibration in the organization and hence attrition turnout to be a big concern for employers.

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