An Analytical Study Of Impact Of Attrition

Rate In

BPO Industry In Indore City

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Abstract:

In the best of worlds, employees would love their jobs, like their coworkers, work hard for their employers, get paid well for their work, have ample chances for advancement, and flexible schedules so they could attend to personal or family needs when necessary. And never leave.

But then there's the real world. And in the real world, employees, do leave, either because they want more money, hate the working conditions, hate their coworkers, want a change, or because their spouse gets a dream job in another state. So, what does all that turnover cost? And what employees are likely to have the highest turnover? Who is likely to stay the longest?

Key Words: Employees, Employers,Job,Turnover

IIntroduction

The IT enabled services (BPO) industry is being looked upon as the next big employment generator (Nasscom predicts 1.1 million job requirement by the year 2014). It is however no easy task for an HR manager in this sector to bridge the ever increasing demand and supply gap of professionals. Unlike his software industry counterpart, the BPO HR manager is not only required to fulfill this responsibility, but also find the right kind of people who can keep pace with the unique work patterns in this industry. Adding to this is the issue of maintaining consistency in performance and keeping the motivation levels high, despite the monotonous work. The toughest concern for an HR manager is however the high attrition rate.

In India, the average attrition rate in the BPO sector is approximately 30-35 percent. It is true that this is far less than the prevalent attrition rate in the US market (around 70 percent), but the challenge continues to be greater considering the recent growth of the industry in the country. The US BPO sector is estimated to be somewhere around three decades old. Keeping low attrition levels is a major challenge as the demand outstrips the supply of good agents by a big margin. Further, the salary growth plan for each employee is not well defined. All this only encourages poaching by other companies who can offer a higher salary.

The much hyped "work for fun" tag normally associated with the industry has in fact backfired, as many individuals (mostly fresh graduates), take it as a pas-time job. Once they join the sector and understand its requirements, they are taken aback by the long working hours and later monotony of the job starts setting in**.** This is the reason for the high attrition rate as many individuals are not able to take the pressures of work.

The toughness of the job and timings is not adequately conveyed. Besides the induction and project training, not much investment has been done to evolve a "continuous training program" for the agents.

The high percentage of females in the workforce (constituting 30-35 percent of the total), adds to the high attrition rate. Most women leave their job either after marriage or because of social pressures caused by irregular working hours in the industry. All this translates into huge losses for the company, which invests a lot of money in training them.

If a person leaves after the training it costs the company about Rs 60,000. For a 300-seater call centre facing the

normal 30 percent attrition, this translates into Rs 60 lakh per annum. Many experts are of believe that all these challenges can turn out to be a real dampener in the growth of this industry.

All this has induced the companies to take necessary steps, both internally and externally. Internally most HR managers are busy putting in efforts on the development of their employees, building innovative retention and motivational schemes (which was more money oriented so far) and making the environment livelier. Outside, the focus is on creating awareness through seminars and going to campuses for recruitment.(www.slideshare.net)

II Objectives of the Study

The proposed study would be undertaken with following objectives
1. To study impact of attrition rate in Indian BPO Industry

2. To know the factor that causes attrition in Indian BPO industry.

III Limitations of the Study
Every research work is subjected to certain limitations or draw backs which not only hamper the smooth progress of any research but also influence the final outcome or result of a particular study. Every study is carried out bearing these limitations in mind and with their effect and impact on the final analysis. No study could be perfect or absolute because it is affected by one or another factor which adversely influences the final outcome.
In our case the limitations of drawbacks are even greater in number because as discussed earlier this particular research is pioneer in itself as an example or precedent for others. No concrete or substantial work has been done in regard to HR Management in private sector. This makes our task much more difficult and creates many limitations in the course of the study.
   The major limitations confronting this particular research are as follows:
1. The major limitations of the study are that the use of HR Management tools and techniques is the internal circulation and the information with no excess to the outside world.

2. Further the analysis may not be helpful for decision making in other similar companies and income and expenditure patterned used in companies.
3. Time, accuracy and sample selection are also an limitations of the study.
4. This study shall be conducted in Indore city.

IV Research Methodology

Research is a way of thinking and finding answers to the questions that come into your mind. In our day-to-day life, we formulate several question in our mind. We want to get answers for these questions. Some of these questions can be answered easily without any need of scientific scrutiny. While there are also some questions that need to be answered in a logical manner. The process that needs to be followed in finding answers to such question should have to be empirical and subjective. The techniques and procedures that need to be used should also be valid and logical. In this way, we are able to get answers that are authentic and verifiable. The research process also requires scientific scrutiny and the procedures involved in this scrutiny should have to be valid and reliable.

(A) Source of Primary Data

Interviews through research questionnaires will be conducted to yield data on opinions and perceptions on what the research respondents considered .For prediction direct interview and observation method shall also be used.

(B) Sources of Secondary Data
Used to obtain information on, current issues, policies, procedures etc, wherever required:-
1. Internet
2. Magazines
3. Newspapers
4. Journals

(C)Method of Collection
Field procedure for gathering primary data includes observation and interview schedule in which the questionnaires will be filed by the respondents. Personal interviews through self administration survey to be done to collect the data, market research was to be undertaken, that will be accomplished but performing various activities designed.

(D) Research Instrument

A self designed questionnaire is designed to know the consumer requirements of telecommunication services in rural area, to see the feasibility of project in rural area, and to understand the need of sales promotions in rural sector.

(E))Sample Design

Sample size is of 100 (50,Male and 50 Female)and the data will be collected from 20-35 Age Group of Indore region ,to understand their basic needs and requirements.

(F) Tools for Data Analysis

Data will be analyzed by the use of graph, to get the accurate measures of results in percentage.

V Literature Review

Denvir and McMahon (1992) define labor turnover as "the movement of people into and out of employment within an organization" while Mobley (1982) defines turnover as "voluntary cessation of membership in an organization by an individual who receives monetary compensation for participating in that organization". Forbes (1971) states that labor turnover means separation from an organization and included promotion, transfer or any other internal movement within the institution. Meaghan et al(2002) draws attention on controlling attrition , he states that the value of employees to an organization is a very crucial element in the success of the organization. He further states that this value is intangible and cannot easily be replicated, therefore, the managers should control attrition. Mobley (1977) suggests a measure to predict attrition, he says that tenure of an employee is one of the best measures that can be used to predict turnover. Firth et al(2007) tries to find out the causes of attrition, he says that there are a range of factors that lead to job related stress, lack of commitment towards the organization and job dissatisfaction which cause employees to quit. Griffeth et al. (2000) conclude-related variables have a significant effect on employee turnover. Hom&Griffeth (1995) statethat several investigations in the past have revealed that organizational commitment and job satisfaction are crucial factors that influence turnover intention. Wanous (1992) focuses on new employee attrition and says that new employees often leave the organization because their expectations are not met which results into a violation of their psychological contract resulting into turnover. Abassietal (2000) conclude that there are other factors like inefficient and poor recruitment practices, style of management, lack of recognition, work place conditions, and a lack of competitive compensation system that cause employees to quit the organization. Louis (1980) states that attrition takes place because new employees compare their actual experience with their past work experiences. Past work experience plays significant role in taking decision to quit in case the new worker's expectations are not met. Ongori (2007) focuses on stress as a cause of attrition; he says that the good workers in organization may tend to leave when they start experiencing signs of occupational stress. This turnover affects the organization adversely in increasing the recruitment and selection costs of the organization.

VI Scope of Study

Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning.

VII Rationale of Study

The Indian business process outsourcing industry, roughly around 4-5 years old, is growing at a phenomenal pace. The number of BPO companies in Indian cities has mushroomed from a handful a few years ago to about 500 in 2004. The size of the Indian BPO market is likely to be around $9-12 billion by 2006 and will employ around 400,000 people (ICRA, Indian BPO industry report). For a fresh college graduate, a call centre job pays about 2.5 times as much as other job openings. And the boom shows all signs of continuing considering that the cost per transaction in India is estimated to be the lowest at 29 cents compared to 52 cents in China.

Even after displaying impressive statistics about the growth and future, the BPO industry in India is bleeding with heavy attrition. According to several recruitment firms in the country, attrition in the ITES (IT enabled services)-BPO industry is close to 35-40 %. The worse news is that, this is only the reported figures and the actual figures are much higher and can be as high as 80% annually. Nasscom in a report said the outsourcing industry was expected to face a shortage of 262,000 professionals by 2012. This impediment is likely to affect the industry severely in the long run by creating a man power shortage as well as bringing up the cost arbitrage on which the Indian industry is playing at the moment. (www.citehr.com, www.coolavenues.com)

VIII Framework

The BPO industry is still in its infancy, and lacks a clear regulatory framework, from Foreign Direct Investment (FDI) regulations to issues of security, technology transfer, and employeewelfare. Optimally a sector already has regulations in place before investment in the sector begins, whereas in this case, we see the reverse, a skewed kind of approach to regulation. What we are seeing is the offering of incentives by central and state governments to attract

FDI and a haphazard construction of a regulatory framework as issues arise.

For instance, the legal framework for the sector is spread across at least eight acts enacted between 1923 and 1972.5the uncertainties regarding the applicability of the security framework to fraud cases is discussed in a later section. And a regulatory framework for FDI in this sector is more or lessnon-existent.

For the BPO sector, current Indian government regulations set forth by the Ministry of Commerce and Industry allow FDI up to 100% in most instances without prior approval from the government or the Reserve Bank of India (RBI).6A foreign company can set up a BPO by incorporating a company under the Companies Act, 1956, either through a joint venture or as a wholly owned subsidiary. The procedure amounts to submitting a set of documents to the Department of Telecommunications, whose office has streamlined the bureaucratic hurdles forapplicants.7 all profits, dividends, etc can be repatriated subject to government approval.8

The absence of regulation also leaves employees open to the machinations of unscrupulousemployers, and cases of fraudulent salary cuts, collection of deposits in the name of training,arbitrary fixing of salaries are overlooked and employees are uneasy about talking, for fear ofreprisal. Often they just go on to another job, an avenue which the BPO industry is seeking toblock by maintaining a roster of employees, in the name of controlling security violations andfraud by employees and also the high rate of attrition.

IX Attrition

Attrition cannot be blindly classified with a negative connotation. A healthy attrition rate in any industry is necessary for new ideas and innovation to flow in as well as to facilitate the overall growth of the industry in terms of knowledge sharing. But after a particular level the same boon becomes a bane.

Recruiters explain that the high attrition rates significantly increase the investments that are made on the employees. The problem of losing funds in employee acquisition is more prominent in the high-end BPO segment. Companies invest a lot of time and money in training a candidate for the first four months. But these investments do not always get converted into actual profits. In case of the BPO industry, each agent level recruitment roughly costs the company Rs. 5000/-. This is the amount which a company needs to pay the job recruitment agency. Other than the direct cost, an associated cost of training and administrative service is also involved. Each agent works is non-productive or partly productive in the organization for nearly the first 2-3 months. Hence an employee leaving the organization within the first 6 months is a bad investment for the company. Also, as stated earlier the cost of attrition in the industry is 1.5 times the annual salary.

However, there is another perspective for attrition which is specific to the BPO industry in India. India at the moment is working on low end Business Processes which do not require quite a lot of amount of high skills. The reason for India's success has been primarily the low cost, high quality labor which India provides. Compared to other competitors such as Philippines, South Africa, Ireland; India is the only country where we have a balance between the cost involved and the quality provided till now. For Indian companies to remain successful in future they would have to keep the cost low. Since the tasks performed by an agent are pretty standard and does not require added skills, there is no benefit in retaining a highly experienced employee. At the floor level operation, a non-experienced candidate could work with the same efficiency of a 2-3 year experienced employee after minimal training. Hence the industry players consider the present attrition as a positive attrition which is serving the industry by keeping the cost low.

XManaging Attrition in Industry:

In the best of worlds, employees would love their jobs, like their co-workers, work hard for their employers, get paid well for their work, have ample chances for advancement, and flexible schedules so they could attend to personal or family needs when necessary. And never leave.

- But then there's the real world. And in the real world, employees, do leave, either because they want more money, hate the working conditions, hate their co-workers, want a change, or because their spouse gets a dream job in another state. So, what does that entire turnover cost? And what employees are likely to have the highest turnover? Who is likely to stay the longest? www.slideshare.net/madhurilotankar

Defining Attrition: "A reduction in the number of employees through retirement, resignation or death".

Defining Attrition Rate: "the rate of shrinkage in size or number".

The business process outsourcing (BPO) industry in the country is facing the challenge of finding quality human resources given the current attrition rate of around 50 percent. In India, the average attrition rate in the BPO sector is approximately 30-35 percent. It is true that this is far less than the prevalent attrition rate in the US market (around 70 percent), but the challenge continues to be greater considering the recent growth of the industry in the country. Keeping low attrition levels is a major challenge as the demand outstrips the supply of good agents by a big margin.

Components to be taken into consideration, while calculating attrition rate

Total Number of Resigns per month (Whether voluntary or forced) divided by (Total Number of employees at the beginning of the month plus total number of new joiners minus total number of resignations) multiplied by 100.

If calculating in monetary terms, it includes the following:

1. Costs Due to a Person Leaving

2. Recruitment Costs

3. Training Costs

4. Lost Productivity Costs

5. New Hire Costs

6. Lost Sales Costs

It is clear that there are massive costs associated with attrition or turnover and, while some of these are not visible to the management reporting or budget system, they are none the less real. The 'rule of thumb' appears to be very inaccurate indeed and, while it depends upon the category of staff, it is probably better to estimate around 80% of salary as a truer rule of thumb - and this will be on the conservative side.

What does this mean? Well it means that if a company has 100 people doing a certain job paid 25,000 and that turnover or attrition is running at 10%, the cost of attrition is:

(Total staff x attrition rate %) x (annual salary x 80%)

- 100 staff at 10% attrition means 10 people leave and are replaced each year.
- A replacement cost of 80% of a salary of 25,000 means the cost of each replacement is 20,000.
- The cost of turnover is therefore 10 x 20,000 or 200,000 a year.
- The on cost to the overall salary bill is 8%.

1. (Saving 8% of salary costs would make Managing Attrition in BPO - A win-win model to satisfy employer and the employee)

Attrition in the BPO industry is one of the biggest issue which the growing ITES industry in India is facing. The effects of attrition are wide varying and impacts the firms in terms of losses (due to training and administration cost, high recruitment cost), incompetent processes, inability to offer services for highly technical process etc.

Attrition though a nuisance also has some associated benefits along with such as low cost of operation, knowledge sharing amongst the firms benefiting the overall industry in increasing its competencies. Attrition usually occurs on two fronts – people leaving the industry and people shifting jobs inside the industry. Both of them have separate causes which have been identified in this paper.

The paper attempts to understand the underlying reasons for attrition by analyzing the BPO industry through Maslow's Hierarchical model of Needs. The Maslow's framework helps in giving a better perception about the motivation of the employees in the BPO industry and identifying gaps in their expectations which needs to be filled up.

Attrition rates

US	42%
Australia	29%
Europe	24%
India	18%
Global Average	24%

The reasons for the high rate of attrition was due to various factors like salary, work timings, other career options, adding that there is always the danger of costs increasing while billing rates decline.

- Present Employee Benefits Provided by Majority of BPOs
- Group Medi-claim Insurance Scheme
- Personal Accident Insurance Scheme
- Subsidized Food and Transportation
- Company Leased Accommodation ,Recreation, Cafeteria, ATM and Concierge facilities
- Corporate Credit Card
- Cellular Phone / Laptop
- Personal Health Care (Regular medical check-ups)
- Loans
- Educational Benefits
- Performance based incentives
- Flexi-time & Flexible Salary Benefits
- Regular Get together and other cultural programs
- Wedding Day Gift
- Employee Referral Scheme
- Employee Stock Option Plans

Reasons for Attrition:
When there are so many benefits associated with BPO industry…. when there are so many privileges for the BPO employees a few factors make them to change the company/industry:

- For higher Salary
- No Growth / Lack of Promotion
- For Higher education
- Misguidance by the company
- Policies and procedures are not conducive
- No personal life
- Physical strains

How to Stop BPO Attrition
Firstly, the industry has to get out of its image of an Internet sweatshop where an employee is resigned to his fate of being in office at ungodly hours for a dead-end job.
 Short Term Bonding Techniques

1. Using the CFO's services – Well, this stands not for Chief Financial Officer but Chief Fun Officer, whose only job is to think of opportunities for making fun.

2. A Pizza Party – Senior management takes orders for custom-made pizzas from agents and supervisors and serves them.

3. Shop till you drop – Tie up with a shopping mall for an evening outing and distributing prizes based on that.

4. Shift rotation – Permanent night birds fly away faster! Suitable day shift opportunities are required from time to time.
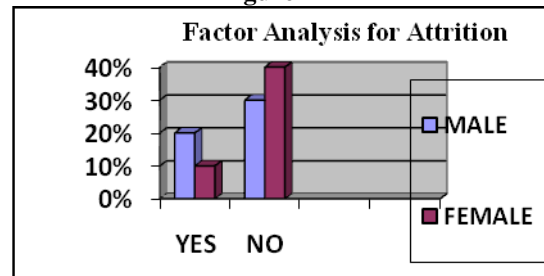
XI Data Analysis and Interpretation
1. Are you satisfy with working environment?

Table 1

	YES	NO
MALE	40%	60%
FEMALE	20%	80%

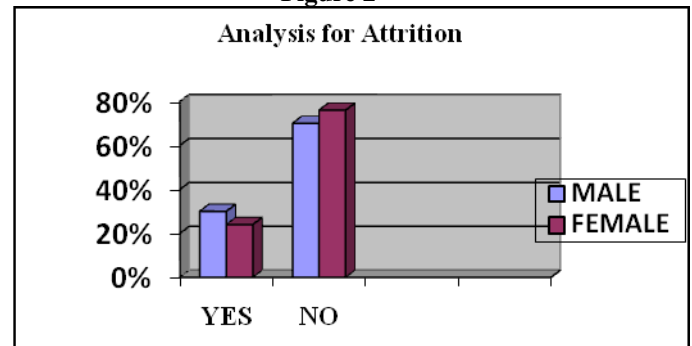**Figure 1**

Figure 1

Interpretation
From above data we analysis that most of the people 60% male and 80% female are not satisfied with working environment. So upper management should take necessary steps like improve good coordination between employees, social perception among employees so they feel enthusiastic to work.

2. **Are you satisfy with working hours?**

Table 2

	YES	NO
MALE	30%	70%
FEMALE	24%	76%

Figure 2

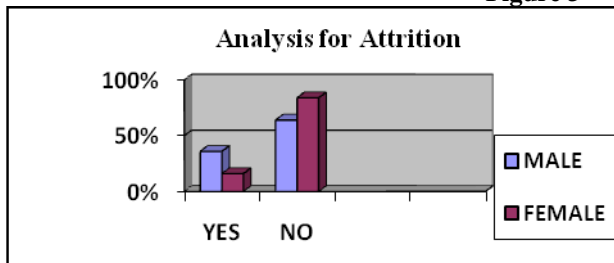Figure 2

Interpretation

From above data we analysis that most of the people are not satisfied with long hour's leads to greater stress so management should provide some recreational activities weekly so they don't feel bore.

3. **Are you satisfy with monthly salary?**

Table 3

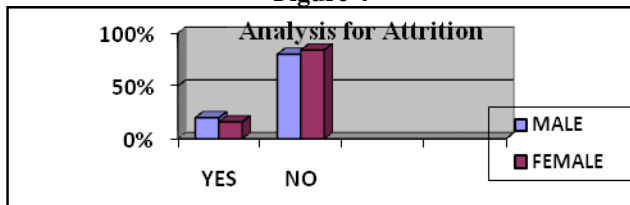|	YES	NO
MALE	36%	64%
FEMALE	16%	84%

Figure 3

Interpretation

Analysis of above data we know that most of the employee are not satisfied with Management should increase incentives on monthly basis if they are not satisfied with salary.

4. **Are you satisfy with monthly incentives?**

Table 4

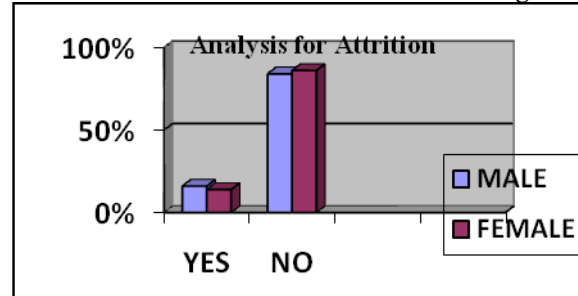|	YES	NO
MALE	20%	80%
FEMALE	16%	84%

Figure 4

Interpretation

From above data we analysis that most of the people are not satisfied with monthly incentives, for this management should conduct meetings weekly and ask incentives of their choices so they feel god to work.

5. **Are you satisfy with monthly leave?**

Table 5

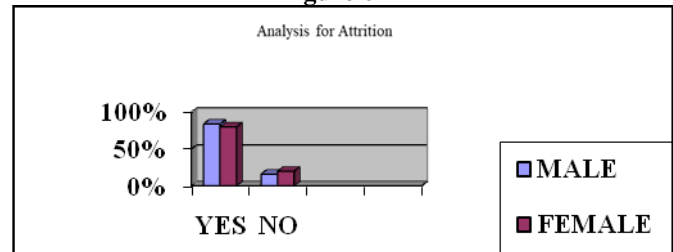|	YES	NO
MALE	16%	84%
FEMALE	14%	86%

Figure 5

Interpretation

Analysis of above data we know that 84% male and 86% female oftotal employees are not satisfied with monthly leave so Management should provide leave on the basis of the performance of work.

6. **Is low payment is main reason for attrition?**

Table 6

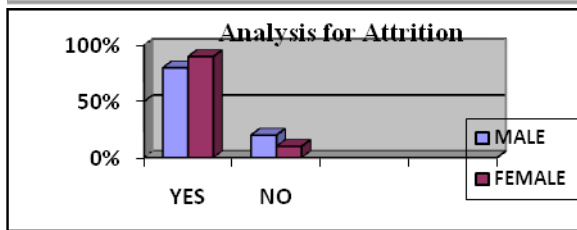|	YES	NO
MALE	84%	16%
FEMALE	80%	20%

Figure 6

Interpretation

Analysis of above data we know that management should increase payment on the basis working hours so they satisfied.

7. **Is stress is main reason for attrition?**

Table 7

	YES	NO
MALE	80%	20%
FEMALE	90%	10%

Figure 7

Interpretation

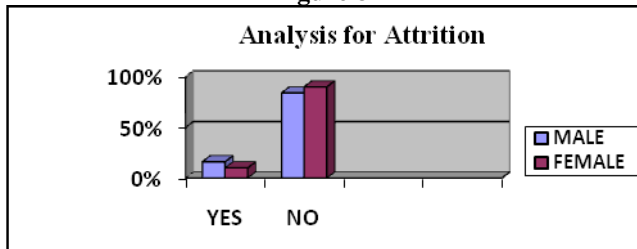Analysis of above data we know that 80% male employee and 90% female employee are agree for this statement that stress is main reason for attrition.Doing same work continuously a employee feel bore to work leads to stress so management provides relaxation gap in between working hour's and also recreational activities weekly so they feel good to work.

8. Are management helpful in handling your stress?

Table 8

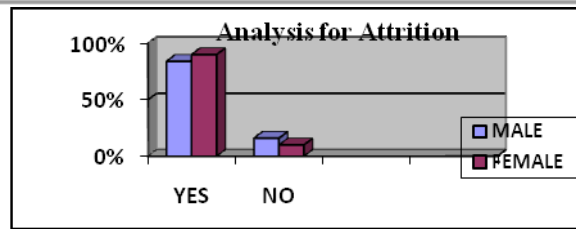|	YES	NO
MALE	16%	84%
FEMALE	10%	90%

Figure 8

Interpretation

Management should take necessary efforts for handling stress of employees like interaction with them, ask about their problems and fulfill their requirements.

9. Is long working hours is main reason for attrition?

Table 9

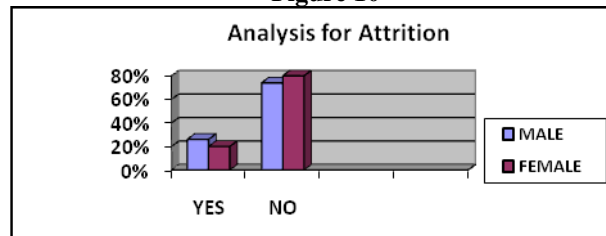|	YES	NO
MALE	84%	16%
FEMALE	90%	10%

Figure 9

Interpretation

Analysis of above data we know that 84% male employee and 90% female employee are agree from long working hours is main reason for attrition. Management should structure working hours on weekly basis.

10. Are you satisfy with policy of organisation?

Table 10

	YES	NO
MALE	26%	74%
FEMALE	20%	80%

Figure 10

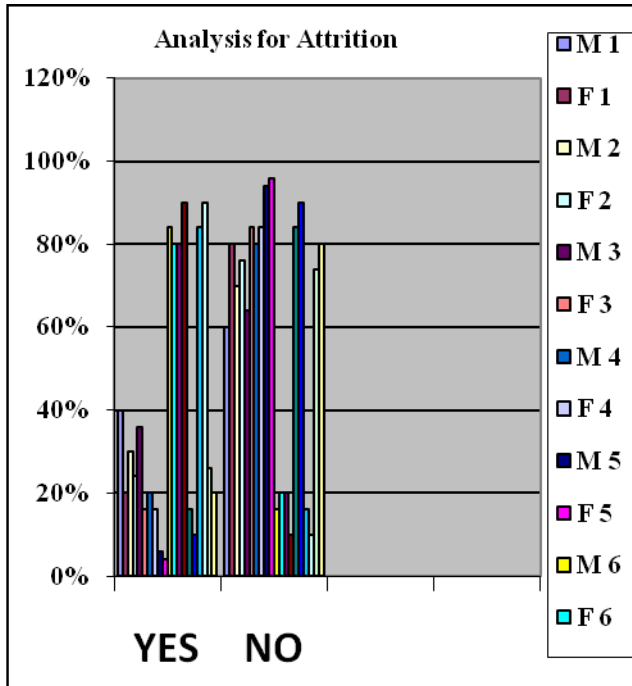**Interpretation**

Management should change their policies quarterly on the basis of feedback receives from their employees.

Consolidated Analysis

	YES	NO
Male (M)1	40%	60%
Female (F) 1	20%	80%
M 2	30%	70%
F 2	24%	76%
M 3	36%	64%
F 3	16%	84%
M 4	20%	80%
F 4	16%	84%
M 5	6%	94%
F 5	4%	96%
M 6	84%	16%
F 6	80%	20%
M 7	80%	20%
F 7	90%	10%
M 8	16%	84%
F 8	10%	90%

M 9	84%	16%
F 9	90%	10%
M 10	26%	74%
F 10	20%	80%

Analysis for Attrition

Interpretation

Percentage Analysis shows that attrition rate increases due to employees are not satisfy with long working hours, night shiftsand unfavorable incentives

XII Suggestion and Implication

Although a large number of youngsters are attracted to the BPO industry because of the high salary packages offered by the MNC's to graduates and even the under-graduates; also the sophisticated work environment, the facilities like free meal and transportation etc.; failure to cope with the stress of the odd shifts, the monotonous work, the compensation packages and the opportunities for higher education fails to sustain them in the organizations. For the Indian BPO industry to sustain its growth and position, the human resource professionals have to re-formulate their strategies to check the problem of the attrition rate without losing their cost-effectiveness. BPOs will have to change their mindset and the practice of- "No matter I have a high attrition rate, I can cope up if my recruitment process is good" – to creating a synergy between the work life, growth opportunities, and the requirements of the job to control the attrition in the organizations. The HR professionals need to redesign the HR policies for the industry without comprising on the cost competitiveness of the Indian BPO industry, to retain the employees in the organizations and to retain India's position as the low cost destination for business process outsourcing worldwide. In the next article, we'll have a look at the western culture being promoted by BPOs in India and how the youngsters are losing out in the BPO.

XIII Conclusion

There are massive costs associated with attrition, while some of these are not visible to the management reporting system, they are none the less real, if a company has 100 people doing a certain job paid 25,000 and that turnover or attrition is running at 10%, 100 staff at 10% attrition means 10 people leave and are replaced each year.

- A replacement cost of 80% of a salary of 25,000 means the cost of each replacement is 20,000.
- The cost of turnover is 200,000 a year.
- The on- cost to the overall salary bill is 8%.

Attrition in the BPO industry is one of the biggest issue which the growing ITES industry in India is facing. The effects of attrition are wide varying and impacts the firms in terms of losses, incompetent processes, inability to offer services for highly technical process etc.

Attrition though a nuisance also has some associated benefits along with such as low cost of operation, knowledge sharing amongst the firms benefiting the overall industry in increasing its competencies. Attrition usually occurs on two fronts – people leaving the industry and people shifting jobs inside the industry. Both of them have separate causes which have been identified in this paper.

The paper attempts to understand the underlying reasons for attrition by analyzing the BPO industry through Maslow's Hierarchical model of Needs. The Maslow's framework helps in giving a better perception about the motivation of the employees in the BPO industry and identifying gaps in their expectations which needs to be filled up.

Finally, the Study concludes by recommending a Win-Win Model which endeavors to satisfy the needs of both the employer and employee. The model encloses the employee by 4 levels of strategies thus reducing the attrition rate as well as minimizing the impact whenever it occurs.

Reasons for high attrition

- 60% people leave BPO units because they are offered higher salaries elsewhere

- 40% leave because of stagnation in career graph, long duty hours, night shifts and non-conducive HR policies.
- The impact of high attrition rates will see an increase in expenditure of training and development, loss of clientele, failure to attract more business based on high output, inconsistent delivery and quality issues/loss of productivity, high turn-around-time and costly recruitment process which would create a dearth of 300,000 professionals by 2009 .

Suggestions on curbing attrition

- Provide more options in the work profile
- Have frequent training and development programmes to help sustain employees' interest
- Create better work environment and award reward and recognition
- Have competitive pay package system
- Build talent pool of employees by setting up tie-ups with education institutes for training and campus recruitment.
- The industry is currently undergoing a growth of 25-30% per annum which would see a further spurt in coming five years.
- India produces about a million graduates annually and BPO companies take up about 6-7% of the whole.

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