

Employee Attrition Project

ABSTRACT:

Among all employee related problems, employee attrition is one of the key problem in the today's scenario despite the changes in the external environment. Attrition is said to be gradual reduction in number of employees through resignation, death and retirement. The other name given for Attrition is attrition. When a well-trained and well-adapted employee leaves the organization for any of the reason, it creates an empty space in an organization (i.e) there occurs a vacuum in the organization. It creates a great difficulty for a Human resource personnel to fill the gap that has occurred. Modern Human resource managers is taking various steps to reduce the employee attrition rate and it has been a pivotal challenge for today's Managers. Many of the employees may also tend to leave the job for various undisclosed factors such as lack of job security, lack of career advancement, desire for change in new opportunities, anticipating higher pay, problems with supervisors and few other personal reasons. This study helps in knowing why attrition occurs, reasons for employee attrition, challenges faced by managers in retaining employees and also suggest some measures in retaining employees.

INTRODUCTION: Employee Attrition also known as Employee or Labour Attrition. Companies in India and also in other foreign countries face a formidable challenge in recruiting and retaining talents, while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual attrition. Attrition may be defined as gradual reduction in membership or personnel as through retirement, resignation or death. In other words, attrition can be defined as the number of employees leaving the organization which includes both voluntary and involuntary separation. Losing an employees and talents results in huge loss to the organization because there is a huge loss in cost such as the recruitment cost, training cost and other cost that are incurred in making an employee more skillful. Certain Factors such as Layoffs and Termination is not included in the case of Attrition. The attrition rate tends to vary from skilled and unskilled labours. When an employee has been turned over then a new employee has to be replaced in place of them. Here this would also increase the cost of recruitment and cost of training. Churn rate means the person who leaves the Company or the organization in a given period of time due to the Attrition, which includes the employees being fired due to unethical behavior or practices in the organization. The high Churn rate in the organization will affect the Cost interns of Placement and Training of the new Employee. In order to create a successful

organization, the employer must find all possible ways in retaining his employees, despite it is also important to gain the trust and loyalty of the employee so they have a less of desire to leave their organization in the future. It is important for an employer to retain employee because good, faithful, trained and hardworking employees are required to run the business successfully. They have acquired a good knowledge about their product or service in the long run and also a trained and experienced employee would be able to handle the customers better and would solve the problems efficiently. For an example- If an employee in an ongoing project leaves the project in the middle. Here some other employee has to be replaced to fill that gap. The new employee has to be trained and they should understand the idea and context of the project. This would affect the other team member's attitude to a significant extent. The current paper explains about employee attrition challenges and suggestions in retaining the employees.

EMPLOYEE ATTRITION: Conceptually, the term Employee/labour attrition underwent a change during the late 20th century. Employee/labour attrition was rechristened as Employee Attrition. According to Webster the term attrition is defined as, "the process or state of being gradually worn down". Usually the attrition process starts after a person is employed in an organization and ends when the person quits or retires the job. The term employee attrition is used interchangeably with employee/labour attrition. Mostly employee tend to leave the job due to ergonomic discomfort experienced by the employee and the functional incompatibility between the corporate management and the employees. There are various occasions where the attrition occurs, when there is a conflict between the co-workers and supervisors. Another important reason for attrition is that employee's remuneration is not voluminous and there is no career growth in their current job. The formula given below helps us to calculate the employee attrition rate for a particular period,

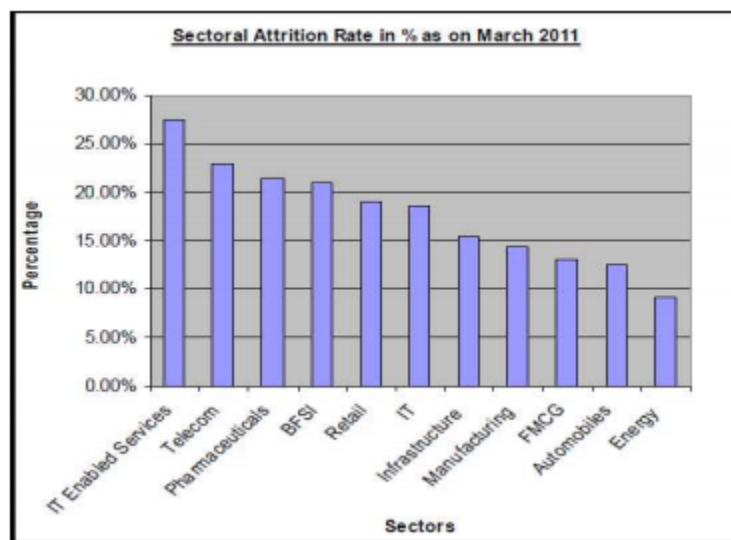
Employee Turnover Rate

$$\frac{\text{Number of employees who left during a given period}}{\text{Average number of employees during the given period}} \times 100$$

ATTRITION SCENARIO IN INDIA: In India, almost all the sectors are facing major attrition problems. But the cause for attrition and its significant effects are distinct to

each sectors. The attrition rate is depicted in the below diagram. The attrition rates are very high for IT enabled services and there are significantly high attrition rate in sectors such as Pharmaceutical, Retail etc. Now various strategies are been followed by various organization to minimize the attrition rate. It is also said that women tend to stay in jobs for a longer period of time than men.

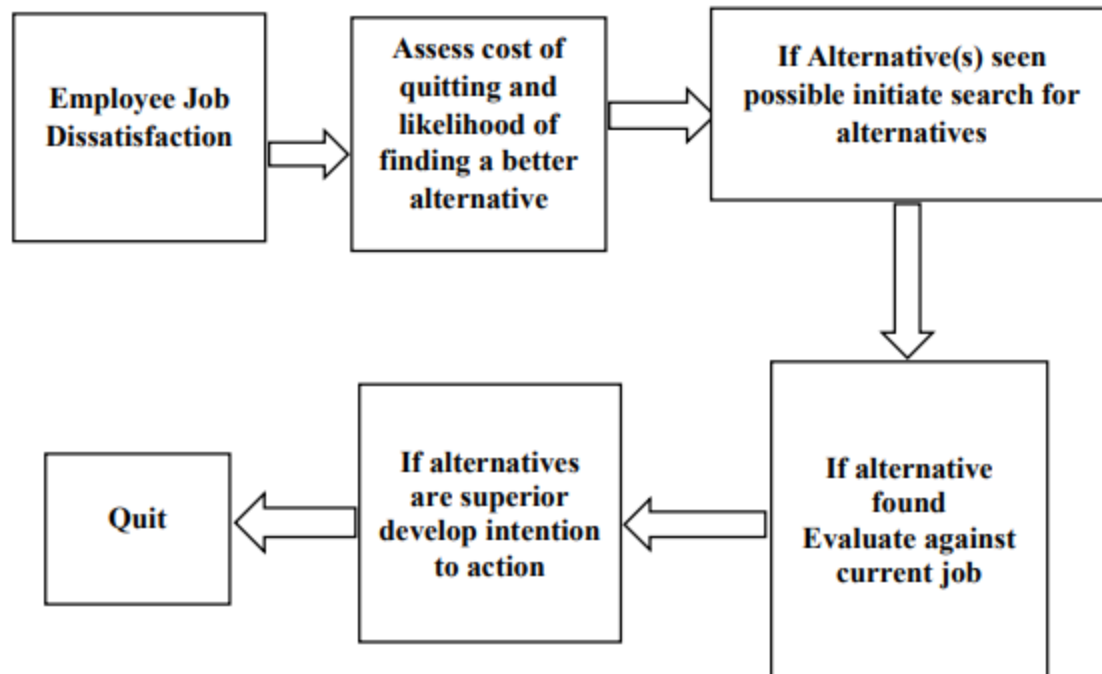
From the source of survey conducted by HR Consultancy Firm Aon Hewitt, The attrition rate for various sectors in India is calculated and graph is shown below.



ATTRITION PROCESS MODEL: Various researchers framed different conceptual ideas and models based on their researches. In 1982, Bill Mobley suggested a model that is known as the Traditional model of attrition. Mobley suggests that the decision to quit the job is due to major dissatisfaction in the current job. According to Mobley, an individual try to evaluate his/her current job and level of satisfaction/dissatisfaction. If they are dissatisfied, they may have the idea of quitting and assess the cost of quitting and success of searching for an alternative job. After identifying the alternative job, decision is taken whether to stay or quit the job.

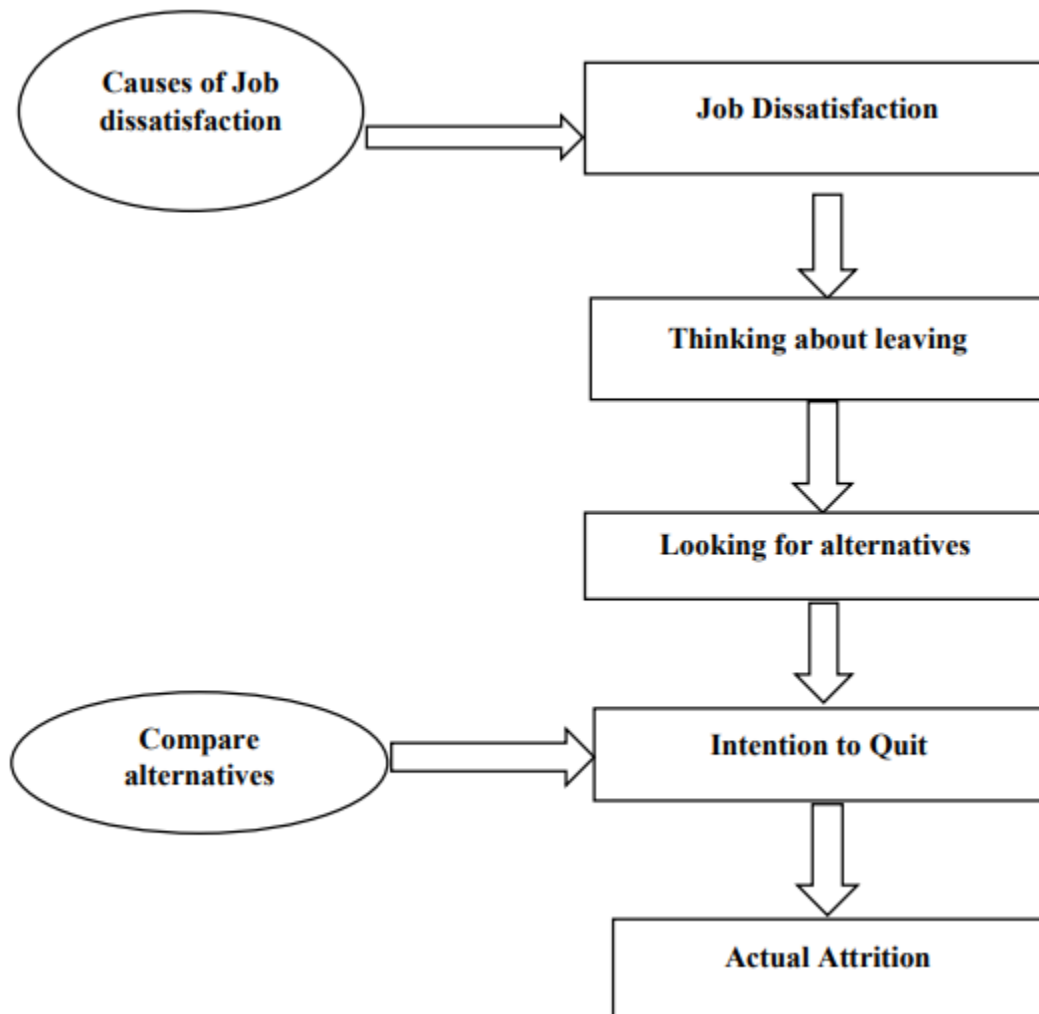
TRADITIONAL MODEL OF ATTRITION:

According to Angelo S. Denisi and Ricky W. Griffin (2009), the employee attrition rate decreases as the job satisfaction increases. Although the basic idea behind this model is correct, the processes involved are more complex for different reasons. The economy and labour market play a major role in attrition process. Two streams of research have proposed



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DENISI AND GRIFFIN MODEL OF EMPLOYEE ATTRITION



TYPES OF ATTRITION: Employee attrition is classified into five types, namely:

- (1) Internal versus External Attrition,
- (2) Skilled versus Unskilled Employee Attrition
- (3) Functional and Dysfunctional Attrition,
- (4) Voluntary versus Involuntary and
- (5) Pull and Push form of Attrition.

Internal versus External Attrition: Like Recruitment attrition can also be classified into Internal and External attrition. Internal attrition involves employees leaving their current position in the organization and they take up new position inside the organization. This could happen either in positive as well as negative aspect. In the case of Positive aspect of employee attrition it could be because of increase in employee morale, appreciation of employees, etc. The negative aspect of employee attrition would be due to project or relational disruption and lack of expertise in a particular department. Internal attrition can be moderated and controlled by typical HR mechanisms such as Succession

Planning. On the other hand, External attrition refers to employees leaving the organization for better terms of employment status or preferring higher salary. External attrition creates more impact to the organization and the employer is more concerned about it.

Skilled versus Unskilled Employee Attrition: Unskilled positions often have high attrition, and employees can generally be replaced without the organization incurring any loss of performance. The ease of replacing these employees provides little incentive to employers to offer generous employment contracts; conversely, contracts may strongly favor the employer and lead to increased attrition as employees seek, and eventually find, more favorable employment. However, high attrition rates of skilled professionals may pose a risk to the business or organization, due to the human capital lost - skills, training, and knowledge lost. Notably, given the natural specialization of skilled professionals, these employees are likely to be re-employed within the same industry by a competitor. Therefore, attrition of these individuals incurs both replacement costs to the organization, as well as a competitive disadvantage to the business.

Functional and Dysfunctional Attrition: Functional attrition doesn't hurt the company. Employees who elect to leave their jobs might be part-time employees without unique skills, or they're simply not top performers. The loss of their talents doesn't prevent work from getting done effectively. If they're poor performers, the company can even benefit by replacing them with better performers and improving the quality outcome of the affected jobs. With functional attrition, the benefits gained by replacing outgoing employees exceed the costs incurred. Dysfunctional attrition does hurt the company. The costs exceed any potential benefits. Some employees who are leaving might be top performers whose work has proved to have a direct impact on profitability. Others might have unique skills that are hard to come by, making it difficult – and costly – to recruit and hire replacements. Losing too many minority group members can affect the diversity of a company's workforce. When a company loses too many employees that fit any of these scenarios, the costs associated with replacing them combine with other costs, such as those associated with quality problems and customer complaints. Dysfunctional attrition can be avoidable or unavoidable. The attrition might be unavoidable if it is caused by employees leaving to address family or health issues, to move to new locations, to go to school full-time, or for other reasons over which the company has no control. The attrition is avoidable when the company does have control – employees choose to leave because the company is not satisfying their job or career needs. Examples of avoidable attrition might include poor pay scales or the lack of opportunities to advance.

Voluntary versus Involuntary Attrition: Voluntary attrition or voluntary attrition means employees leave the organization out of their own will. They may tend to leave the job due to various factors such as lack of interest, salary problems and various problems with their peer groups, supervisors etc. Involuntary attrition refers to the employee discharge by the organization and it happens for various reasons such as retirement, unethical behavior, suspension, dismissals, corporate changes etc. There is another form of attrition known as compulsory attrition where the employees leave the organization due to the implementation of government rules and regulations and the impact of those rules on the organization.

Pull and Push form of Attrition: The employee attrition is also interpreted in terms of causes arising from which side – the employee side or the employer side? When an employee leaves his job/employment in an organization for his own reasons it is labeled as the Drag or Pull form of Attrition – the reasons for leaving drag the employee out of his job and the organization. On the other hand, the attrition is labeled as Drive or Push form of Attrition when the employer takes the initiative to ask the employee to quit the job and the organization. This classification of employee attrition does not make any distinction between the employees – anyone can be affected by the drag or drive factors.

FACTORS CAUSING ATTRITION: The factors causing employee attrition have been studied by different researchers from time to time and have been classified into different groups. They are,

Monetary Considerations: The expectations of employees are increasing day by day. One of the main reasons is high demand of employees in the organizations. Many people who leave the organization because they have been offered a high salary. In the current competitive scenario, it is easy for employees to find positions that leverage their experience and pay better.

Lack of Career Mobility and Challenges: Given the choice between money and a challenging job, many employees may still prefer the latter as it allows them an opportunity to broaden their domain expertise and also provides an opportunity to work with cutting-edge technology. If the organizations do not deliver on these expectations, employee exodus cannot be contained.

Slow Career Growth for Internal Talents: Employees with prior relevant experience are a precious commodity in today's fast growing market. Therefore, it is not unusual for fast growing companies to fill new jobs with external applicants who have a prior relevant experience with other companies, bringing them in at one level higher than their current level or providing them a new role with greater responsibilities. This contributes

to the perception by "passed over" internal talent that career growth is slow in the current organization, which results in further attrition.

Working Environment: An employee may leave an organization if the fairness of the system does not inspire his/her confidence. Attrition due to the work environment is typically due to a lack of trust in the fairness of the system, issues around safety and care of employees, effectiveness of the channels to address employee grievances, accessibility of the senior management team and other related environmental issues.

High Levels of Stress and Lack of Work-Life Balance: Companies in the zeal to squeeze out every little ounce of productivity from the employees and further increase profitability. Sooner or later this makes employees stressed out and they rethink about their priorities and join an organization that promises a relaxed pace work and a breathing space.

Shift timings: The majority of the work offshored to India has typically been from the United States (though share from Europe is growing) necessitating night-shift work due to time zone differentials. The proportion of employees who can work during the Indian work-day is low. Continuous night shifts affect the health of some, while others just cannot adjust to them. As a result of cultural and social factors, some women employees leave because they are not able to convince their families of the need to work nights.

Monotony: In general, work (especially work that has been offshored) has been repetitive, mechanical, service-level-driven and involves high transaction volumes. Younger recruits find it monotonous once they have mastered the process.

Inadequate training and development opportunities: Though not one of the top reasons for attrition increases, the lack of ample opportunities to learn new skills or undergo training or further education is occasionally cited as a reason for leaving.

Lack of Employee-job Fit: Employee's innate talent & aptitude are given a short shrift. There is a widespread notion that the employee's natural flair is not as important as new skills and knowledge acquired on the job: that with the learning attitude and training employees can do wonders in any job, but it is not true and it creates immense frustration in employees, as employees demonstrate a good deal of commitment, job satisfaction, self-motivation and productivity when they are assigned a job that is in tune with their natural talents.

Lack of Role Clarity: Nothing can be more frustrating or discouraging for an employee

than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

CHALLENGES IN EMPLOYEE RETENTION: In the today's scenario, the major challenge for an employer is to retain their valuable and talented candidates in the organization. Employer takes various steps in retaining their employees, but there are various challenges for employer and managers in retaining their employees. They are,

Salary Dissatisfaction: Every employee has high salary expectations and this is one of the major reason, why an employee quits the organization. Retention becomes a problem when an employee quotes for an exceptionally high salary, which is beyond the budget of the organization. Every organization has a salary budget for every employee which can be raised to some extent but not beyond a certain limit.

Job Opportunities are high: There is a cut-throat competition to attract the best talent in the market. Companies go a long way to lure talented resources from their competitors. Availability of such lucrative offers make it difficult to retain good resources for long.

Hiring the Wrong Candidate: Recruitment plays an important role, which is the future of any organization. A right candidate hiring will give a good future and a wrong candidate hiring will give a bad future. Candidates speak all kind of lies at the time of interviews for getting a job. It is only later doing people realize that there has been a mismatch and thus look for a change. And problems arise whenever a right candidate is into a wrong job.

No Job Rotation: Any employee gets bored, if he/she does the same job for years together. The job might be good and interesting in the starting phase, but soon, it could become monotonous. In this scenario, the management must go for a job rotation and provide such employees the opportunity to do something new. And if there is no job rotation, then such employees might look for other avenues.

Unrealistic Expectations of Employees: It is not possible for an organization to meet the expectations of all the employees. An employee must be mature enough to understand that one can't get all the comforts at the workplace. Sometimes, when the unrealistic expectations of the employees are not met, they look for a job change.

SOME RECOMMENDATIONS FOR EFFECTIVE RETENTION: There are few recommendations and strategies that has to be followed by the managers in retaining their employees. They are,

Onboarding and orientation: Every new hire should be set up for success from the very start, from the first day of work to the first week and beyond. The job orientation is just one component of onboarding, which can last for weeks or months, depending on your organization. Aim to develop an onboarding process where new staff members not only learn about the job but also the company culture and how they can contribute and thrive, with ongoing discussions, goals and opportunities to address questions and issues as they arrive.

Mentorship programs: Pairing a new employee with a mentor is a great idea for onboarding. New team members can learn the ropes from a veteran with a wealth of resources, and the new hire offers a fresh viewpoint to experienced staff. Mentors shouldn't be work supervisors, but they can offer guidance and be a sounding board for newcomers, welcoming them into the company culture.

Employee compensation: It is absolutely essential in this competitive labor market for companies to offer attractive compensation packages. That includes salaries, of course, but also bonuses, paid time off, health benefits, retirement plans and all the other perks that can distinguish one workplace from another. Every employee should have a full understanding of all the benefits they receive from your organization.

Recognition and rewards systems: Every person wants to feel appreciated for what they do. Make it a habit to thank your direct reports when they go the extra mile, whether it's with a sincere email, a gift card or an extra day off. Show your employees you appreciate them, and share how their hard work helps the organization. Some companies set up rewards systems that incentivize great ideas and innovation, but you can institute recognition programs even on a small team with a small budget.

Work-life balance: What message is your company culture sending? If staff are expected to regularly work long hours and be at your beck and call, you'll likely run into issues with employee retention. Burnout is very real. A healthy work-life balance is essential, and people need to know that management understands its importance. Encourage staff to take vacation time, and if late nights are necessary to wrap up a project, see if you can offer late arrivals or an extra day off to compensate and increase job satisfaction. Many companies offer telecommuting or flexible schedules to improve work-life balance for their employees.

Training and development: In any position and industry, professionals want the possibility for advancement. Smart managers invest in their workers' professional development and seek opportunities for them to grow. Ask each of your direct reports

about their short- and long-term goals to determine how you can help achieve them. Some companies pay for employees to attend conferences or industry events each year, or provide tuition reimbursement or continuing education training.

Communication and feedback: Keeping open lines of communication is essential for employee retention. Your direct reports should feel that they can come to you with ideas, questions and concerns, and likewise, they expect you to be honest and open with them about improvements they need to make in their own performance. Make sure you connect with each staff members on a regular basis – don't let issues build up for the annual review.

Dealing with change: Every workplace has to deal with unpleasant changes occasionally, and the staff looks to leadership for reassurance. If your organization is going through a merger, layoffs or other big changes, keep your staff informed as much as you can to avoid feeding the rumor mill. Make big announcements face to face, and make sure you allow time for their questions.

Fostering teamwork: When people work together, they can achieve more than they would have individually. Foster a culture of collaboration that accommodates individuals' working styles and lets their talents shine. Do this by clarifying team objectives, business goals and roles, and encouraging everyone to contribute ideas and solutions.

Team celebration: Celebrate major milestones for individuals and for the team. Whether the team just finished that huge quarterly project under budget or an employee brought home a new baby, seize the chance to celebrate together with a shared meal or group excursion.

Employee Stock Option Plans/Schemes (ESOP/ESOS): The employee stock option plan is a good management tool for retention of human talent and guarding against poaching of staff of a running organization by a rival company. ESOP in India is regulated by Securities Exchange Board of India (SEBI). According to guidelines issued by SEBI "employee stock option" means the option given to the whole-time Directors, Officers or employees of a company which gives such Directors, subscribe at a future date, the securities offered by the company at a predetermined price

'Golden Hello' and 'Golden Handcuffs': The golden hello, as the name suggests, is an incentive offered to a select set of new recruits, mostly middle and senior-level executives poached from rivals who are well known in industry or are skilled in a niche area. The bonus could be in the form of ESOPs, cash incentives, non-cash incentives or

a combination of all three.

Golden Handcuffs: Any terms or restrictions that make it prohibitively expensive for the executive to leave employment, usually because he or she would be forfeiting significant stock options, restricted stock or other type of bonus or equity.

CONCLUSION: The main objective of the organization is to earn profit and to earn profit the employer should concentrate in retaining talents and concentrate in making them stick to the organization for the long run. Employees are the assets of the organization. Hence it is important for the employers to minimize the attrition rate and help in both individual as well as organizational growth. Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally. Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run.