Report

On

Employee Attrition

Abstract:

Among all employee related problems, employee attrition is one of the key problems 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 suggest some measures in retaining employees.

Introduction:

Employee Attrition also known as Employee or Labour Attrition. Companies in India and 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 skilful. 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 must 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 each period due to the Attrition, which includes the employees being fired due to unethical behaviour 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. 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 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 must be replaced to fill that gap. The new employee must 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.

Background:

Various researchers framed different conceptual   ideas and models based on their research. 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 tries 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.

Employee attrition is classified into five types: (a) Internal versus External Attrition, (b) Skilled versus Unskilled Employee Attrition (c) Functional and Dysfunctional Attrition, (d) Voluntary versus Involuntary (e) Pull and Push form of Attrition.

a) 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 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.

b) 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 favour the employer and lead to increased attrition as employees seek, and eventually find, more favourable 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.

(c) 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.

(d) Voluntary versus Involuntary:

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 behaviour, 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.

e) Pull and Push form of Attrition:

The employee attrition is also interpreted in terms of causes arising from which aside – the employee side or the employer side? When an employee leaves his job/employment in an organization for his own reasons it is labelled 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 labelled 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.

Evaluation:

For employee attrition prediction we used different machine learning tools like Logistic Regression, Random Forest Classifier, KNN Classifier and XGBoost Classifier. So initially in Logistic Regression we got an accuracy of 96.98 prediction match while in Random Forest Classifier we got an accuracy of 99.03 prediction match. Further in KNN classifier we got an accuracy of 97.89 prediction match lastly in XGBoost 99.20 prediction match, which is best among all the used classifiers. So we can use XGBoost as our classifier for further employee attrition prediction.

Conclusion:

After Exploratory Data Analysis we got a scenario in which a younger employee is more likely to leave the company from the age distribution because an experienced professional between 50-60 years of age generally seeks stability in a job. Attrition among the Sales representatives, Auditor are high compared to other departments, justifiable due to their long working hours, comparatively low pay scale, sheer pressure of meeting deadlines/sale targets. The above machine learning models offer us a vision that how well data predicts on the unknown values. Here, as per the accuracy score, the XGBoost Classifier gives the best results, therefore we use can use this model for all our further predictions. So, we can prepare a feedback list for the Human Resources department based on our findings. The Human Resources department can come up with some strategies to retain younger talent so to prevent attrition among younger employees. To prevent attrition in these roles, the human resource department should plan a strategy to maintain a healthy work-life balance among these roles and should also revise their compensation with the market standards.