

**RESEARCH PAPER****A Review on Factors Affecting Employee Attrition in Organized Services Sector****Rajiv Kumar and Sudhinder Chowhan**

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Email: hrtcinfo11@gmail.com**ABSTRACT**

Smart and talented employees have been considered as long term assets for the growth of business organizations and retaining them has become a challenge for companies. Information Technology (IT) & Information Technology Enabled Service (ITES) sector is significantly contributing to the growth of Indian economy and at the same time this sector is struggling and facing the challenges of employee attrition problem. This is a review research paper wherein past studies have been analyzed and reviewed in the light of employee attrition in the organized service sector. Three main factors i.e. 1- Job related variables, 2- Personal variables; 3-External environmental variables have been explained and analyzed by various literature on employee attrition.

Key words: Key factors of employee attrition, Job related variables, Personal variables, and External environmental variables

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INTRODUCTION

Human resources are the main component in an organization to ensure the survival and sustainable development of the organization in the competitive environment. In the present business environment many organizations are technology-driven to increase the productivity and profitability for satisfying the expectations of various stake holders. It is also necessity to face the competition and provide reasonable services to the customers, thus the technology implementation and its efficiency is ensured by the human resources working of the organizations. The human resources are the most important and dynamic resources in an organization now a days there is a stiff competition in the market due to that all organization are contributing for development of the economy, resulted that there are lots of lucrative job opportunities are available for the human resources to switch their career from one organization to another due to that the organizations are facing the challenges to manage and retain the human resources with the organizations and problems of attrition and employee retentions is increasing day by day.

According to Sanakk (2013); Employees do not leave the organization without any significant reasons. There are certain circumstances that lead to their leaving the organization. There are various factors that affect an individual's decision to leave a job. While an employee's leaving the job is considered attrition by one organization, it is looked at as talent acquisition by the new organization and to the individual it means a career move, economic growth and enhanced quality of life or convenience or closeness to family etc. Hence, what is a problem for one may be an opportunity for another? Companies are facing double-whammy of economic anxiety and employee attrition in Today's context. Employee attrition has become a headache for companies. Some experts

of management education named it as turnover, some has given name of attrition. According to F. Casico & W. Bourdeau (2008); People are major component of any business and the management of people is a major part of any manager's job .Attrition, in Human Resource Management terminology, refers to the phenomenon of the employees leaving the company. It is usually measured with a metric called attrition rate, which simply measures the number of employees moving out of the company (voluntary resigning or laid off by the company).

EMPLOYEE ATTRITION

According to Armstrong (2006), employee attrition is a normal flow of people out of an organization through retirement, career or job change, relocation, illness and by other reason. Jacobs (2012) has defined employee attrition as "the rate at which employees enter and leave a company in a given year.

VOLNTARY ATTRITION VERSUS INVOLNTARY ATTRITION

Voluntary attrition has been defined as the movement across the membership boundary of an organization, which is initiated by the employee. Voluntary attrition occurs when an employee resigns to pursue another career opportunity, relocate with family or simply leave the workforce for personal reasons (Price, 1977). F. Casico & W. Bourdeau (2008). Retirement is a form of voluntary turnover action. Voluntary turnover is a serious problem for modern organizations because intellectual capital is increasingly critical for sustained competitiveness (Boudreau & Ramstad, 2007; Lepak & Snell, 2002; Wright & McMahan, 1992). Whereas Involuntary attrition has been defined as the movement across the membership bondary of an organization, which is not initiated by the employee. (Price, 1977). According to F. Casico & W. Bourdeau (2008) it typically refers to an employment decision of employer to terminate the employee. In involuntary attrition or turnover, employment relationship ends based on the employer's circumstances, not the employee's decision to leave.

According to Hewitt's Attrition and Retention Study Asia Pacific 2006, the number one reason for this growing employee attrition rate is compensation unfairness. 21% of the organizations who took part in the survey said that their employee left the organization because they got offers from other organizations offering better pay packages. The second reason was less growth opportunities and number three reason was role stagnation.

RESEARCH METHODOLOGY

The present research paper is based on the descriptive research design to answer the objectives of study.

OBJECTIVES OF THE STUDY

1. To find out the key factors of employee perception about employee attrition in organized services sector.
2. To review and identify the factors of attrition and employee retention explored by the various researchers.
3. To review the importance of factors affecting employee's attrition in the context of previous studies and researches.

LITERATURE REVIEW

After extensive literature studied both for Indian and International context, similar findings and concepts by different researchers have been categorized in to three main factors i.e

1. Job related variables,
2. Personal variables,
3. External environmental variables

These variables have been explained below along with literature on strategies reduce the attrition rates and retain employees in an organization.

Table 1: Employee Attrition in Different Sectors

Sector	% of Employee Attrition
IT-ITES	27
Manufacturing	20
FMCG	17
Capital Goods	23
Construction	25
Non voice BPO	25
Biotechnology	35
Telecommunication	30
Services	40
Pharmaceuticals	32

Source: Hewitt's Attrition and Retention Study Asia Pacific (2006)

FACTORS OF EMPLOYEE ATTRITION

1. JOB RELATED VARIABLES:

These are those variables which are related to job of individual and are responsible for employee attrition.

- i. **Compensation:** According to Siong, *et. al.*, (2006); Grebner, *et. al.*, (2003); Sharma and Jyoti (2006); Kazemzadeh and Bashiri (2005); salary is a vital job related characteristic affects employees' liking towards a job, their satisfaction level and even their commitment to the organization. Boxall, Macky & Rasmussen (2003) found that there is a strong employee expectation that management should make personnel decisions based on merit, demonstrates that salary pay a role in both employee retention and turnover. Cappelli (2000) research on attrition problem suggested companies can improve job turnover and increase retention of their talented employees by improving on compensation. The most popular retention mechanism today is compensation. Most companies try to lock in their most valuable employees with 'golden handcuffs-pay packages. There is an optimum level of labour turnover for average shops. The labour was unskilled in this case. It was found shops with persistently higher labour turnover tend to have higher productivity. There are valid reasons for supposing that where an important dimension of remuneration occurs in form of performance-related pay and where workers are satisfied with administration of such a system, retention of employee will likely be enhanced. Incentive payment schemes motivate employees to stay in organization and reduce attrition. Chendroyaperumal & Bhuvanadevi (2010) explained in their research that unappropriate compensation offered by the companies is responsible for employee attrition. Bhatnagar J. (2007) suggested that good level of employee engagement may lead to high retention of employees in Indian BPO's. Attrition in teams is higher when employee completes 12 to 16 months in job. The factors responsible for attrition are dissatisfaction with compensation.
- ii. **Nature of Work:** Shacklock & Brunetto (2011) have observed in their research that importance of working is a clear reason for older workers to remain working and managers need to ensure that old workers are therefore provided with lots of opportunities for personal development. By enhancing the importance of working in older worker's lives, their intentions to continue enhance. Management and supervision continue to play a larger part in older people's working lives, and hence organizations need to continue targeting and training those best suited for such roles,

in the new knowledge that such actions will influence the intentions of valued older workers to remain with them. Gupta (2010) observed monotonous work and substandard nature of work are main important factors for attrition. According to study by Anantharaja (2009) due to monotonous nature of job, employees change their jobs frequently. Radhakrishnan (2012) in their research study had objectives a- to investigate the factors influencing employee attrition in marketing companies. b- to analyze the employee expectation from employer to avoid attrition. c- to discover relationship between personal profile of employees and their expectations from employer.

- iii. **Culture of Organization:** Covey & Merrill (2008) have written that employee attrition is of two types i.e desirable turnover of non performers and undesirable turnover of performers and it represents a huge cost for organizations and in low trust cultures, turnover is in excess of the industry or market standard. Low trust creates disengagement, which leads to attrition—particularly the people companies least want to loose. Performers like to be trusted and they like to work in high trust organizational culture. When they are not trusted, its insulting to them and a significant number will ultimately seek employment where they are trusted. Nadim & Khan (2013) observed that supervisory Support (SS) i.e. relations with colleagues are significant factor of employees to stay in organizations' & Radhakrishnan (2012) in their research study found strained behavior of senior with colleagues explained (11.52%) variance for employee attrition.
- iv. **Work Life Balance:** According to Boxall, Macky, & Rasmussen (2003) work life balance has been fond main reason for employee retention. There is a growing concern with work-life balance and relationship between co-workers and supervisors. Islam (2011) in his study observed QWL found to be one of major parts for employee's motivation in organizations. Factor analysis was used and 8 factors emerged which are responsible for attrition i.e. Degree of equitable rewards, degree of employment conditions, degree of enhance self esteem of people, degree of career growth, degree of participative climate & team spirit, Degree of constitutional aspects, degree of eminence in workplace, degree of social relevance of work. Research suggested that if improvement is done on eight factors which are responsible for attrition then QWL can be increased. By Kanwar, Singh, & Kodawani, Work-Life Balance and Burnout as Predictators of Job Satisfaction in the IT-ITES Industry (2009) examined the impact of work life balance and burnout on job satisfaction in the context of information technology and IT enabled services.
- v. **Working Conditions:** Many studies have investigated effects of working conditions on employee. According to Sonnentag and Frese, (2003) & Cottini & Kato (2009) worker's in manufacturing industries engaged in hazardous workplace conditions are indeed more likely to separate from their current employers voluntarily while High Involvement Work practices reduces employee turnover. Exposing a worker to physical hazards such as loud noise, vibration or poor lighting will lead to a 3 percentage point increase in probability of turnover, working in a fixed night shift will result in an 11 percentage point jump in turnover probability and having an unsupportive boss will lead to a 5 percentage point increase. The effect of High Involvement Work practices (HIWPs) is modest yet hardly 4 percentage point reduction in turnover probability. Accordiing to Gupta (2010), unfavorable working conditions as one of important factor for attrition. Chendroyaperumal & Bhuvanadevi (2010) have studied in their research that poor HR policy and working conditions found to be important factor casung employee to leave job. By Bisht & Singh (2012) uncertainty in present working environment leads to employee attrition.

- vi. **Growth Opportunities:** Siebert, Zubanov, & Chevalier (2006) in their research observed that job skills fit found motivation for employees to stay in organizations and reduce attrition. According to Lang (2008) high attrition rates problems can solved by working on factor career path as its has been fond main considerations for employees to be in the company.. According to Budhwar, Varma, Malhotra & Mukherjee (2009), lack of career development opportunities found to be a key cause of attrition in Indian BPO industry. Bisht & Singh (2016) have explained lack of Career advancement found to be responsible for attrition
- vii. **Job Security:** If employees are assured about their job security in organizations the ie retention enhances in the organizations. In their research Boxall, Macky & Rasmussen (2003) fond job security plays an important role in both employee retention.
- viii. **Stress:** According to Bisht & Singh (2016) employees tend to leave the job if there is a Job stress and it is one of important factor of reason for employee attrition. In their research Yin Ho, Gowne, & Loke (2010) found work stress, one of important factor which cause employees to leave the job.
- ix. **Location of Office:** Cappelli (2000). research observed large business has another good mechanism for managing retention: location. By carefully choosing the sites for various groups of employees, they can influence turnover rates.

2. PERSONAL VARIABLES:

- i. **Companies:** These are those variables which are related to individual not to job and external environment. There are personal reasons which cause employee attrition.
- ii. **Experience:** According to Bisht & Singh (2016) antecedents for attrition of employees vary with different levels of experience. He explained that antecedents for attrition of employees vary with different levels of experience. The investigation revealed that there is a significant difference in the thinking of employees with different experience and their reasons to quit a job also varies. Less experienced employees have been fond likely to quit. Milkulic, By Simunic, & Nicolic (2013), work experience at current job found to be significant predictors of organizational commitment which leads to employee retention.
- iii. **Perception:** According to Thite & Russell, Work organization, human resource practices and employee retention in Indian call centers (2010) in their research have observed that employees who have the perception that their current jobs are easily replaceable are significantly less likely to exhibit attachment to their employment in Indian BPO and prone to quit. March and Simon's (1958) seminal book, Organizations, marks the real beginning of the attempt to develop an overall theory explaining why people leave their jobs. According to them two factors i.e. perceived desirability of leaving the employing organization (conceptualized as job satisfaction and organizational commitment) and the perceived ease of leaving the organization (conceptualized as quality of job alternatives) determine whether an employee leave or not. WeiBo, Kar, & Zhi (2010) have done their research on Job coupling i.e. a new variable which was introduced into traditional model is described in two dimensions, 'on-job coupling' and 'off-job coupling'. According to theory of coupling an employee's personal values, career goals and plans for future must 'compatible' with the larger corporate culture and the demands of his or her immediate job, such as job knowledge, skills and abilities .In addition , a person will consider how well he or she fits the community and surrounding environment.
- iv. **Age:** According to Padala (2010), research done on sample of 115 executive cadre, 55 junior executive cadre, and 130 non executive cadre employees selected based on

stratified random sampling. The research revealed that younger workers have greater job satisfaction than older ones and less likely to leave the organizations.

- v. **Further Academic Studies:** According to Chawla & Guda (2010) a return to academic studies has also been found reasons among employees to quit job. Employees go for further studies to gain on academic competencies and new skills sets for their career advancement. Yin Ho, Gowne & Loke (2010) found desire to return for further academic work is one of important factor which cause employees to leave the job. According to Budhwar, Verma, Singh & Dhar (2006) further education is one of factor of employee attrition observed in the researches.

3. ENVIRONMENTAL VARIABLES:

- i. **Compensation Offered by Competition:** Bisht & Singh (2012) observed that job availability in market found responsible for attrition. Attractive compensations packages in the market lure the employees and they prefer to switch their current organizations. Budhwar, Varma, Malhotra, & Mukherjee (2009) have observed better job opportunities elsewhere emerged as a key cause of attrition in Indian BPO industry. According to Budhwar, Verma, Singh, & Dhar (2006) the reasons for attrition include better opportunities and monetary packages offered by competition. Radhakrishnan (2012) in their research study explained six factors responsible for attrition out of six one found to be opportunities in the society which explained 2.67% variance.
- ii. **Downsizing and Restructuring:** According to Shaw, Gupta & Delery (2005), global economy has become increasingly knowledge based and organizations that can successfully retain their human resources have an advantage over organizations that cannot. Turnover negatively affects the performance. By Cameron, Freeman, & Mishra (1991) observed that US industry, once the most productive in the World, is now lagging behind its global competitors. What is not well known is that blue-collar productivity is not necessarily the problem. Between 1978 and 1986, for example the number of production workers in US declined by 6% while real output rose by 15%. White collar productivity decreased 6% while the no of workers increased by 21%. Downsizing, which involves reducing the workforce, but also eliminates functions and redesign systems and policies to control costs, has become more common in US companies. Phillips & Connell (2003) has observed during the past decade employee turnover has become a very serious problem for organizations. Managing retention and keeping the turnover rate below target and industry norms is one of the most challenging issues facing business. Employee turnover continues to be the most unappreciated and undervalued issue facing business leaders. According to Eckley (1966) the decision to lay off large no of employees is one of the most difficult ever faced by business management. Failure is implicitly evident no matter how extenuating the circumstances and emotional involvement is almost unavoidable. To reduce layoffs in manufacturing company should eliminate overtime used to achieve peak output, retrieve work previously subcontracted and absorb annual attrition in the workforce. Balkin (1992) observed and stated restructuring of industries such as banking and increased level of competition is forcing executives to find ways to reduce the size of their workforces and run leaner organizations. Reward system is one of key approach to do employee separations effectively, by designing pay and benefits policies that support the need to manage outflow of human resources, management can minimize the costs and unpleasantness associated with terminating employees. A relation has been established that legal barriers have made the employee separations a costly affair.

CONCLUSION

After extensive literature studied both for Indian and International context, it has been identified that mainly the three types of variable effects employee attritions in an organization. These variables are categorized as Job related variables, Personal variables; External environmental variables which are responsible for making employees leave the organizations. Mostly researchers have explored that the downsizing, layoff and restructuring are the main factors which creates insecurity amongst the employees which resulted employee attrition problems. Some researches focused on the personal variables and its impact on employee attrition is more, the human resources due to their desires and expected growth in career both monetary and hierarchical growth they wants to switch the job and creates the problems of attritions. Some researchers explored that the job related variables like working culture, compensation, work life balance, working conditions, job security and additional associated perks with the job assignments is having more impact on the problems of attrition in the organized service sector.

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