

Attrition and Retention

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Abstract: *One of the biggest assets of any industry or organization is its manpower. In the best of worlds, employees would love their jobs, 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. However, rising business competition has led to high attrition rates in many sectors and retaining the employees is proving to be a herculean task for most organizations in the modern era of globalization and competitive business. And when these employees leave an organization, the HR manager will have a big challenge to maintain the attrition rate of their organization. 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 industry. The toughest concern for an HR Manager is however the Attrition Rate.*

Keywords: Attrition, Retention, Employee, Retirement

1. What Is Employee Attrition?

“A reduction in number of employees through retirement, resignation or death”

Attrition is one of the biggest challenges and it represents significant costs to most organizations. A high attrition reflects poorly on an organization’s ability to hold on to its people. The toughest concern for an HR manager is the high attrition rate.

The most commonly used formulae to calculate: Attrition rate

Total Number of Resigns per month (Whether voluntary or forced) X 100

(Total Number of employees at the beginning of the month+ total number of new joiners’ - total number of resignations)

Total Terminations in a month

(Total Head Count at the beginning of the month) + (Total New Hires)

Total No. of employee left X 100

Total No. of employees present

Number of Employee Separations-Involuntary Separations X 100

*Average Employee Count

(*Avg. employee count = January month strength + December month strength)

2. Causes of Attrition

- **Higher Pay:** The most obvious reason for employees leaving any organization is higher salaries offered by other Organization with better job opportunity.
- **Unexpected Job Responsibilities:** Sometimes the job responsibilities don’t come out to be the same as expected by the candidates. Unexpected job responsibilities lead to job dissatisfaction.

- **Job & person mismatch:** A candidate may be fit to do a certain type of job which matches his personality. If he is given a job which mismatches his personality, then he want be able to perform it well and will try to find out reasons to leave the job.
- **Less growth opportunities:** No or less learning and growth opportunities in the current job will make candidate’s job and career stagnant. Only 20% of employees are able to go to senior levels. The remaining 80% of employees look for other organization where they can get opportunities for growth.
- **Lack of appreciation:** If the work is not appreciated by the supervisor, the employee feels de-motivated and loses interest in job.
- **Lack of trust and support in co-workers, seniors and management:** Trust is the most important factor that is required for an individual to stay in the job. Non-supportive co-workers, seniors and management can make office environment unfriendly and difficult to work in. When employees are happy with their superiors they choose to stay, if not they look for a switch.
- **Stress from overwork and work life imbalance:** Job stress can lead to work life imbalance which ultimately many times lead to employee leaving the organization. If employees feel stressed out due to the workload trusted on them they tend to look for a change.

The major stress factors are:

Longer Working Hours

- Working more than standard time repeatedly makes employee stressed out and they tend to look for a change.
- Repetitive Nature of Work
- Work Load & Pressure to Perform
- Lack of Work Flexibility
- Travel Time
- Health Issues

Compensation

Better compensation packages being offered by other companies may attract employees towards themselves.

New Job Offer

An attractive job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc. can lead an employee to leave the organization.

Plans for Further Studies

These days, in many organizations, employees are joining at very young age because of lucrative salaries being offered. But with time, they apply for higher education and try to move on to other organizations or sectors to occupy top positions.

Less Frequency in Giving Rewards

Appreciation by words and regular increments or rewards provide the 'golden handcuffs' that keep from getting away" and when these are not considered by an organization, the employee tend to move on to other organizations.

Marriage or Relocation

The percentage of women workers is very high, around 30%. Generally, women workers leave the organization after marriage to take up their house-hold duties or leave an organization on maternity. Even when someone relocates with their spouse or partner, it comes outside the control of any employer.

3. How Does It Impact An Organization?

- Attrition brings decreased Productivity.
- People leave causing others to work harder- When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.
- High Attrition rate contributes to increased costs and lowers revenue.
- This forces additional cost reduction and austerity measures.
- This in turn makes working more difficult, causing the best performers with the most external opportunities to leave
- Loss of company Knowledge –When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.
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4. Cost of Attrition to an Organization

- Cost of advertising for new positions
- The cost and time involved in interviews and background checks,
- Costs associated with search firms or placement agencies,
- Relocation costs of new employees
- Training and orientation costs

A. Recruitment Cost

The cost to the business when hiring new employees includes the following six factors plus 10 percent for incidentals such as background screening:

- Time spent on sourcing replacement
- Time spent on recruitment and selection
- Travel expenses, if any
- Re-location costs, if any n Training/ramp-up time
- Background/reference screening

B. Training and Development Cost

To estimate the cost of training and developing new employees, cost of new hires must be taken into consideration. This will mean direct and indirect costs, and can be largely classified under the following heads:

- Training materials
- Technology
- Employee benefits
- Trainers' Time

C. Administration Cost

They include:

- Set up communication systems
- Add employees to the HR system
- Set up the new hire's workspace
- Set up ID-cards, access cards, etc.

The tangible costs of employee attrition would be the cost of training new employees, the recruitment and selection costs, adjustment time, possible product and/or service quality problems, costs of agency workers/temporary staff, the cost of loss productivity, the cost of lost knowledge and the cost of the position remaining vacant till a suitable replacement is found.

The intangible costs, which may be even more significant than the tangibles, involve the effect of turnover on organizational culture, employee morale, social capital or organizational memory. All these costs would significantly take away the profitability and the competitive advantage of the firm.

5. Retention Strategies

What is Employee Retention?

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization as well as the employee.

Employee retention is important; in almost all cases, it is senseless to allow good people to leave your organization. Employee Retention Strategies helps organizations provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives.

Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool.

Retention of key employees is critical to the 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.

Employee retention matters as organizational issues such as training time and investment; lost knowledge; insecure employees and a costly candidate search are involved. Hence failing to retain a key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organizations costs up to five times of his salary.

It is a fact that, retention of key employees is critical to the long-term health and success of any organization. The performance of employees is often linked directly to quality work, customer satisfaction, and increased product sales and even to the image of a company. Whereas the same is often indirectly linked to, satisfied colleagues and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning.

Les Mckeown's defined employee retention as, 'A systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their driver needs.'

Paris agrees, stating that "...incentives provide the 'golden handcuffs' that keep from getting away"

Employee Retention Strategies

- **Start with a Solid on Boarding and Orientation Program:** The highest level of turnover occurs during the first 90 days on the job. The purpose of on boarding is to assimilate the new person into your organization, so

make the first few days a positive, memorable experience.

- **Competitive Package:** People stay in jobs because they want to contribute to something bigger than themselves, because they love what they do, or because their job gives them a sense of purpose. If they are not paid at the same level as competitors, they will know, and their job satisfaction will erode.

Conduct Employee Satisfaction Surveys Regularly, They'll Help:

- Identify critical gaps in employee perception
- Identify important trends
- Help define future hr guidelines

1. **Employee Engagement:** The organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, and the commitment and support that is shown to employees by the management would motivate employees to stay in organizations.

2. **Knowledge Accessibility:** The extent of the organization's "collaborativeness" and its capacity for making knowledge and ideas widely available to employees would make employees to stay in the organization. Sharing of information should be made at all levels of management.

3. This accessibility of information would lead to strong performance from the employees and creating strong corporate culture. Therefore; information accessibility would make employees feel that they are appreciated for their effort and chances of leaving the organization are minimal.

4. **Workforce Optimization:** The organization's success in optimizing the performance of the employees by establishing essential processes for getting work done, providing good working conditions, establishing accountability and making good hiring choices would retain employees. The importance of gaining better understanding of the factors related to recruitment, motivation and retention of employees is further underscored by rising personnel costs and high rates of employee attrition. With increased competitiveness on globalizations, managers in many organizations are experiencing greater pressure from top management to improve recruitment, selection, training, and retention of good employees and in the long run would encourage employees to stay in organizations.

5. **Job Involvement:** Involvement would influence job satisfaction and increase organizational commitment of the employees. Employees who are more involved in their jobs are more satisfied with their jobs and more committed to their organization. Describes an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his/her job. Involvement in

terms of internalizing values about the goodness or the importance of work made employees not to quit their jobs and these involvements are related to task characteristics. Workers who have a greater variety of tasks tend stay in the job. Task characteristics have been found to be potential determinants of attrition among employees.

6. Organizational Commitment: Is an effective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization. Job involvement represents the extent to which employees are absorbed in or preoccupied with their jobs and the extent to which an individual identifies with his/her job. The degree of commitment and loyalty can be achieved if management enrich the jobs, empower and compensate employees properly.

7. Empowerment of Employees: Could help to enhance the continuity of employees in organizations. Empowered employees where managers supervise more people than in a traditional hierarchy and delegate more decisions to their subordinates. Managers act like coaches and help employees solve problems. Employees, he concludes, have increased responsibility. Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leaders and consider them to be fair and in turn to perform up to the superior's expectations. All these makes employees to be committed to the organization and chances of quitting are minimal.

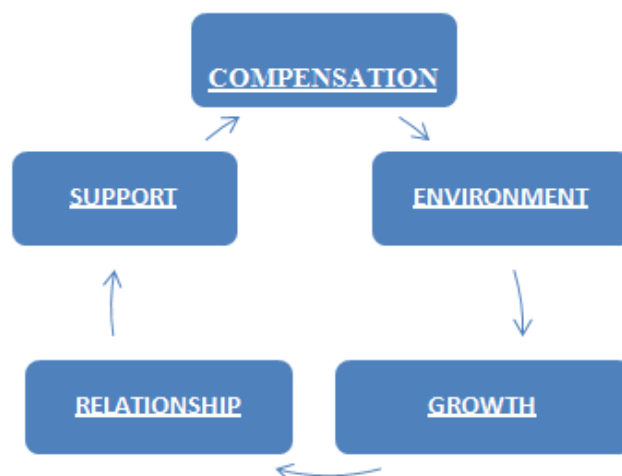
8. Activity Based outside Regular Work: If employers encourage and support their employees to take an interest in activities outside of their regular work, such as the Wellness programme which extends beyond health to sports and community activities, then the benefits for a healthy and motivated workforce are wide reaching.

9. Providing Career Development: One of the primary reasons employees leave an organization is lack of career growth. One study found that more than 40 percent of the respondents would consider leaving their present employer for another job with the same benefits if that job provided better career development and greater challenges.

- Providing fair and transparent compensation policy where each employee gets his/ her dues based on company, team & individual performance
- Leave plans –both paid and unpaid-to suit employee's needs etc.
- Job safety in contingency period
- Job improvement/promotion
- Exit interviews to know on reasons for attrition and improvise on those areas.
- Rewarding merit, excellence and commitment
- The management must formulate employee friendly policies.

Flexible Working Arrangements: Offering more flexible work patterns enables employees to manage their working schedule as it best fit them.

6. Key Areas in Employee Retention



7. Conclusion

The study of attrition is very important because the excess of it tells about the productivity of the organization. It is obviously difficult for any organization to operate smoothly and to attain its objectives if employees leave the organization. Level of attrition beyond the normal range in any organization can have a direct impact on that organizations effectiveness and efficiency. Most employees leave their work for reasons other than money; they want more meaning in their work. Employees seek opportunities that allow them to use and develop their skills. They often indicate that they want to use their qualities and skills in challenging proper working teamwork led by capable leaders. There are numerous reasons which may drive an employee to quit.

Employees are the backbone of any business success and therefore, they need to be motivated and maintained in organization at all cost to aid the organization to be globally competitive in terms of providing quality products and services to the society. Companies that understand the importance of employee retention have a competitive advantage. And in the long-run the returns on investments on the employees would be achieved.

Managers should examine the sources of employee attrition and recommend the best approach to fill the gap of the source, so that they can be in a position to retain employees in their organization to enhance their competitiveness in the this world of globalization. Managers must understand that employees in their organizations must be treated as the most liquid assets of the organization which would make the organization to withstand the waves of globalization. This asset needs to be monitored with due care, otherwise their organizations would cease to exist. Employees should be given challenging work and all managers should be hired on the basis of knowhow by following laid down procedures of the organization and this would make organization to have competent managers at all levels of management and

hence good supervision. Management must compensate employees adequately. They should pay employees based on their performance and in addition they should give employees incentives like individual bonus, lump sum bonus, sharing of profits and other benefits. Hence, if these are put in place they would minimize employee attrition.

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