

## ATTRITION IN "IT AND ITES" SECTOR

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### ABSTRACT

*The word "Attrition" refers to scaling down of employees in an organisation. It occurs because of retirement, resignation or death of the employee. There can be many reasons for an employees to leave an organisation like he may be getting higher job position in some other company or he may want to change his profession or he may leave an organisation for higher studies, etc. The study was made to the staff working in IT sector in various cities of India. Findings of the study suggests that organisational culture, working conditions, career growth opportunities, work pressure and mutual trust are the causes of attrition in fast growing industries like IT and ITES sectors. So, the research is concluded that organisation should have employee friendly organisational culture with positive working conditions, low pressure and higher opportunities for career growth which will reduce the attrition rate at a great extent and increase employee attitude in order to sustain in the organisation.*

**Keywords** - attrition, retention.

### INTRODUCTION

Attrition is when an employee leaves his/her current job due to various different reasons. It is when an employee ends his membership in an organisation where he or she received monetary compensation for the work done. It is reduction in the number of employees through retirement, resignation or death. Attrition takes place due to non fulfilment of employees expectations from the organisation in return of services provided to them. Many factors play a role in the employee attrition rate of any company, and these can stem from the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover.

#### Defining Attrition:

"A reduction in the number of employees through retirement, resignation or death"

"Attrition is the Ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees"

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

### History of "IT" Industry

Information technology (IT) and ITES sector are one of the most significant and fast developing industries in India. This industry has been successful in building valuable brand equity for itself in today's global market. IT industry comprises of software industry and information technology enabled services which further involves business process outsourcing (BPO) industry. India is exemplary good in providing IT-enabled services. IT industry originated in India in 1947, when the mainframe manufacturer, Burroughs, asked its India

sales agent, Tata consultancy services (TCS), to export programmers for installing system software for a U.S. client. The IT industry originated in under unfavourable conditions where local markets were absent and government policy toward private players were restricted and hostile. This industry was begun by Bombay-based conglomerates which entered the business supplying programmers to global IT firms located overseas.

The IT industry in India was again successful in year 2004-2005, where total software and services revenues recording a high of \$22 billion. The employee base also showed a whopping increase to cross the one million mark in the year 2005.

### **What Can Be The Causes Of Attrition?**

Attrition can bring losses to an organisation as a whole. Therefore job attrition can be very costly to the organisation because it takes lot of time, efforts and resources to train and develop employee, so that they work effectively and efficiently for that particular organisation and in case employees leave their jobs it cause great loss to the company because then they have to train another employee with all the sources again. That is why attrition is very harmful.

Basically, if the employees are not interested in their jobs, they will leave. Being unhappy is not the only reason why workers leave their jobs. There are several other reasons to why attrition is occurring frequently in an organisation.

☐ Sometimes, individuals leave their companies because their skills are in demand, and therefore they are lured away by other companies for higher pay and better benefits.

☐ The other reason could be their qualifications for the job. When employees are placed in jobs that are too demanding or not challenging enough then they become discouraged and quit their jobs. This usually happens when the job descriptions are not clearly communicated to the applicants during the interviews.

☐ It can also be due to lack of advancement..

☐ Lack of growth options within the company.

☐ Improper work timings

☐ Family pressure and personal reasons.

☐ Health problems due to imbalance in work-life pattern.

☐ Salary and other benefits

☐ Work environment

☐ Lack of promotions

☐ Job matters further include

1) **Stress level:** these jobs bring lots of pressure and the stress levels are high.

2) **Attitude of employees:** youngsters look at call centre jobs as temporary and they quickly change the job once they get in to their own field.

☐ Poaching: poaching of trained and competent manpower from rival companies is very high.

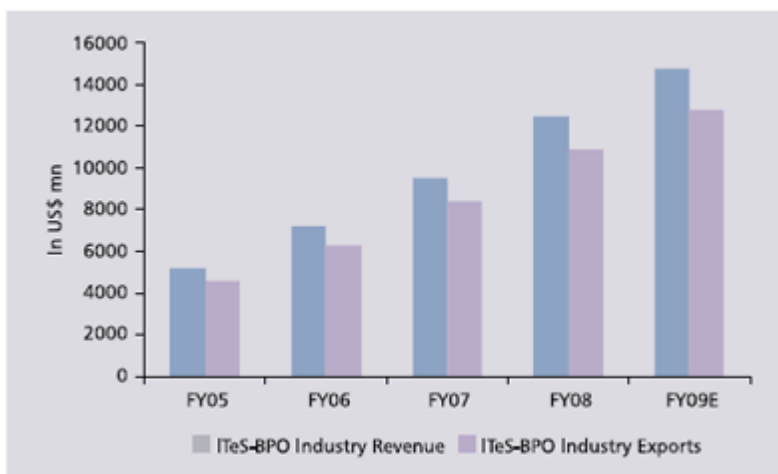
### Retention Strategies

- ☐ Providing Relevant Talent- companies should think of training as career development.
- ☐ Job Enlargement- doesn't constrain them in particular position. Think for next step.
- ☐ Fostering a culture of management concern- companies must help them develop their full potential.
- ☐ Rewarding managers- should be awarded for their technical and financial results.
- ☐ Clearly identify the people you want to keep.

### Indian ITeS-BPO industry and economic growth:

The Indian ITeS-BPO industry has revolutionised global sourcing and has emerged as one of the sunrise sectors for the country. The success of the outsourcing of IT services was followed by global sourcing of business processes which in turn has increasingly become an absolute value addition for the global companies, and India with its large skilled manpower and favourable government policy initiatives has grabbed the opportunities by both hands.

#### Indian ITeS-BPO industry size



Source: NASSCOM

Apart from aiding the socioeconomic development of the country, the ITeS-BPO sector has also driven the rapid growth of other sectors such as organised retail, automobile, aviation, real estate, banking and financial sector. According to NASSCOM data, the Indian ITeS-BPO sector revenue notably recorded a CAGR growth of 42.8% during FY00-FY09 and outpaced the growth of the IT services sector during this period, which grew by an average of 25.4%. In FY09, the ITeS BPO export is estimated to have contributed over 86.8% to the total IT-BPO revenue, though this contribution was lower than that made in FY02 at 93.8%. The decrease in exports could be attributed to the growth of the domestic BPO over the last couple of years; during FY05-FY09, the domestic BPO grew at a CAGR of 34.1%, ably supported by the BFSI and telecom vertical.

The Indian ITeS-BPO industry has been consistently growing over the past few years, in spite of rising competition from countries such as Philippines, China, Brazil, Mexico and Ireland. Its contribution to the service sector and to the country's GDP has also been increasing over these years. The industry has come a long way from just offering traditional outsourced data entry work to providing high-end knowledge services to global clients. Yet there is a vast untapped universe in the Indian ITeS-BPO industry, which represents tremendous growth opportunities for the industry players. The impressive growth of the Indian IT and BPO industry has contributed significantly towards the socioeconomic development by generating employment opportunities, foreign exchange reserves et al. Besides, the sector has facilitated other industries such as real estate, transportation, catering services, and has thus generated many employment opportunities in the country. The revenue of the sector (IT-BPO) has manifolded during the last decade from merely US\$8.3 bn in FY00 to around US\$71 bn in FY09 at a CAGR growth of 27%<sup>1</sup>. The ITeS/BPO notably is the fastest-growing segment within the IT-BPO sector, and during the last decade it grew at a CAGR of 42.8%; the IT services and software revenue grew at a CAGR of 26.8%. The small and medium-sized enterprises have recently had ample avenues to explore in terms of IT services and business process solutions. Due to the boom in the banking, telecom, retail, logistics sector and several initiatives taken by the Central government and other state governments, the IT spending in the domestic market has increased impressively. In the last 10 years, the domestic IT services and software products and engineering services market grew by 21% annually and reached US\$10.5 bn in FY09.

### **Costs of Attrition:**

Examining the average rate of attrition also involves quantifying the costs. Negative employee attrition impacts the morale of remaining employees and their productivity. Additionally, costs associated with excessive attrition pertain to recruiting replacements, handling administrative hiring costs, handling increased time to proficiency rates and training new personnel. New employees typically require orientation classes, formal training on policies and procedures and often need specialized coaching and mentoring using equipment and tools. This takes time and money. The loss of intellectual capital, such as proprietary trade secrets, also costs a company.

According to Raj Gupta, Head HR KPO & Life Science & Healthcare at TCS BPO, there is a very high cost of attrition as lot of time, effort and energy is invested in bringing the employee on board, assimilation and integration with company culture, values and nuances. Simply put, it could be minimum 3 time cost of their annual compensation

### **Effect of attrition rate on the ITES industry:**

India's Business Process Outsourcing (BPO) sector is facing stiff competition from the likes of Mexico, Philippines, Malaysia, China, Canada and Ireland that are posing a grave threat to the growth of India's BPO sector reports ASSOCHAM press release. The BPO industry is facing serious challenges vis-a-vis shortage of skilled and educated workers as the attrition rate in India's BPO sector has risen phenomenally at the rate of 55 percent with a significant visible movement in mid and senior management levels, according to an industry

specific analysis of the Associated Chamber of Commerce and Industry of India (ASSOCHAM).

“Although, the BPO sector in India has been very popular since the beginning, as it has opened up plenty of job opportunities and has totted up huge revenue, but the awfully high attrition rate coupled with talent crisis has plagued the sector since the very beginning”, said ASSOCHAM Secretary General, D.S. Rawat.

### **Employee Retention:**

Taking into to note the high attrition rate in the ITES industry and its direct impact on the growth of the Industry and the economic growth of the company, many ITES companies have come up with various employee retention strategies. According to Get Les Mckeown's employee retention is defined as “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 divers needs. Employee retention must be rethought in a free-agent market. Compensation can shape who leaves and stays. Job design and customization can tailor jobs to employee needs. Encouraging social ties among colleagues and selecting appealing locations for workplaces are other ways to retain talented workers.

### **CONCLUSION:**

In summary this article highlights the significance of the ITES/BPO industry in India and its impact on the Indian economy. It also provides statistics of various dimensions of ITES industry and attrition which poses to be a major concern for its growth. It also highlights the key causes of attrition and touches upon the significance of employee retention. In this context, attrition management has become the strategic focus and compelling necessity of businesses today. Thus, ignoring the problem of mounting attrition level can have devastating consequences for the business, Industry and thus the economy of the country.

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