



A Theoretical Study on Employee Attrition

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ABSTRACT

In the recent years, irrespective of the kind of industry or the structure of the organization, attrition is a common problem in every organization which not only hampers production but also results in heavy long run costs and loss of goodwill to the organization. The employer and employee both have lost belief on each other.

Employee attrition and candidate absconding are significant business concerns for every organization, one even bigger than attracting talent employee attrition is a serious issue, especially in today's knowledge -driven marketing. This article is an attempt to find out the causes of attrition in the organizations from different dimensions, and the remedial measures to overcome the situation.

Keywords: Attrition, policies, commitment, incentives, benefits.

1. Introduction:

Attrition refers to a method of achieving a reduction in personal by not refilling position that is vacated through resignation reassignment, transfer, retirement, or other than layoffs.

Attrition rate is defined as the number of employees who leave the company during a specific time period dividing by the average total number of employees over that same time period.

2. Types of Attrition:

- **Voluntary Attrition:** Voluntary attrition takes place when the employee leaves the organization by their own will. The factors like higher emoluments elsewhere, better opportunities of growth and promotion etc are responsible for the kind of attrition.
- **Involuntary Attrition :** Involuntary attrition takes places when the employee leave the organization due to some negative forces or push factors like promotion policy, biased performance appraisal etc,
- **Compulsory Attrition:** It takes place due to the rules and regulations of the government and that of the organization as well. It includes attrition taking due to attrition the age of retirement, completion of tenure etc.
- **Natural Attrition:** It takes place due to the cause of natural factors and that there beyond the central of the individual and organization as well. These factors may be includes end life, insanity etc.

3. Causes of Attrition:

The factors causing employee attrition have been studied by different researchers from time to time and have been classified into different groups. Thus for instance, Susan E.Jackson and Randall S. Schuler have classified the factors leading to employee attrition into:

- **Low Job Satisfaction:** Dislike the job itself, work overload, difficulties with supervisor or peers, unfair HR practices, and lack of flexible scheduling or telecommuting options.
- **Insufficient Incentives:** Low compensation, little recognition and rewards, lack of career development opportunities, slow advancements, low employment security.
- **Poor Job Performance:** Lack of skills and competencies, low motivation, inappropriate performance, and lack of resources.
- **Labor Market Conditions:** Low unemployment rates, better opportunities available elsewhere, and aggressive recruitment by competitors.

- Other Role Commitments: **The factors like family** and time conflicts, leisure, and community, sometimes jointly and sometime separately cause low commitment in the employee leading to his withdrawal. He goes in search of new or alternate jobs, weighing the alternate job opportunities.
- Employee Relations Management: Employee relations management is most important function, which has to help the people to concentrate more on their task on hand and to become results oriented. It may be noted that many factors are under the control of the employers. For instance, unfair HR or labor practices. Employers can often offer better pay and benefits. They can create opportunities for employee advancement and promotions..

As per the organizational perspective, the causes can be classified as Internal & External causes, which are mentioned as follows:

3.1 Internal Causes:

These causes are pertaining to the internal environment of an organization therefore they are controllable.

Promotion :

- Biased promotion.
- No / delayed promotion.

Transfer :

- Forceful transfer.
- Transfer for a place employee is not willing to go.

Task :

- Monotony of task.
- Task – labor mismatch.
- Team issues.
- Lesser job autonomy.

Instability In Leadership :

- Leading to confusion related to directions and commands which generate frustration among the workforce.

Lack of Job Security :

- Fear of being expelled / retrenched / terminated.
- Faulty performance.
- Underestimation of performance.
- Power distance & politics.
- Communication gap between management and workforce.

3.2 External Causes:

These are the causes which are beyond the control of an organization as they belong to the external environment. These causes may be related to.

- a) Better pay.
- b) Chances of promotion.
- c) Better perks and.
- d) More fringe benefits in other organization.

3.3 Individual/Personal Causes:

- a) End of life.
- b) Marriage.
- c) Pregnancy.
- d) Shift of family.

- e) Mental imbalance.
- f) Over-sensitivity.
- g) Wish to go abroad.
- h) Attrition of the group members.
- i) Self-employment.
- j) Education.

4. EFFECTS OF ATTRITION:

4.1 TO EMPLOYER/ORGANIZATION:

a) Cost of Employee Recruiting:

Replacing employees is a large investment. A company must spend significant time and money to search for the best talent through advertising, recruitment agencies, screening, interviewing, and hiring.

b) Lost Employee Productivity:

When an employee leaves the company, it's not always easy to immediately replace that person. In some cases, especially for low paying positions, a temporary employee can come in to help.

c) Cost of Training and Recruiting:

When an employee leaves, the manager is suddenly in double trouble. First, he or she must keep the ship afloat without the lost employee, either redistributing duties or finding a temporary replacement. The costs of employee attrition range from quantifiable numbers to hidden costs. When employees resign from companies, costs are incurred in recruiting new employees and training them

d) Costs of Employee Attrition:

Attrition results in increase in costs. These costs may be related to

Cost of Staffing: Cost of travelling allowance, refreshment, experts, and, placement companies

Cost of training: Cost of trainers, cost of training equipment and materials, cost of refreshment, cost of technology

Cost of administrative proceedings: Cost of issuing I-cards, access cards.

Cost of signing bonus: It is given to the works for joining the organization; it is also a significant part of cost.

- Loss of consumers and decrease in brand loyalty
- Loss of goodwill
- Loss of secrecy in case the key employees leave the organization.
- Loss of key-personnel.
- Lack of competitiveness .

4.2 TO EMPLOYEE:

- Stress from the job.
- Monetary loss.
- Effect on career.
- Effect on family life.
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5. BENEFITS OF EMPLOYEE ATTRITION ON THE ORGANIZATION:

Attrition is not always negative; it may have some positive results also. Some of the Positive results may include the following:

- a. Advantages of new knowledge: New employees bring new knowledge; their knowledge and skill may open new avenues for the organization.
- b. Advantage of new technology: It will decrease the cost, thus the price of the final goods or service will be cheaper; further leading to increase in demand and profits.
- c. Introduction of new ideas: New ideas may help in increasing product line and product mix or they may become helpful in starting new joint-ventures and working in collaboration.
- d. Lesser negative impact of groupism: Sometimes the existing groups may be rigid or the group members may be reluctant towards others, in such a case attrition of a group members may be positive for the organization.
- e. Reduction in surplus staff: It will lead to reduction in cost of maintaining the surplus employees ultimately leading to total cost.
- f. Chances of bringing in creativity & innovation: New workers may introduce a new style of working, they can have their own methods and they may think differently, all this will promote creativity and innovation in the organization.
- g. Creation of a healthy and competitive environment in the organization: New workforce may be more competitive, old employees may learn from them. They may get inspired and compete with them.

6. MEASURING EMPLOYEE ATTRITION:

Most organizations simply track their crude turnover rates on a month by month or year by year basis. The total figure includes all leavers, even people who left in voluntarily due to dismissal, redundancy or retirement. It also makes no distinction between functional (that is, beneficial), turnover and that which is dysfunctional.

To measure the rate of turnover several mathematical formulae are available.

The following are some such formulae:

- A. Wayne F. Cascio (2006:P.54) recommends the following formula: =

$$\frac{\text{Number of Attrition incidents per period} \times 100}{\text{Average workforce size}}$$

- B. According to US Department of Labor =

(Bohlander, et. Al:2001:171:Robert L. Mathis and John H. Jackson:2000:93)

$$\frac{\text{Number of Separations during the month} \times 100}{\text{Total Number of employees in midmonth}}$$

This formula is widely used. In this formula separation means leaving the Organization. Mathis and Jackson suggest that the turnover rate needs to be calculated for the work units rather than for the organization as a whole (93).

- C. Michael Armstrong (2009:498). Armstrong writes that the formula he is producing is the traditional one for measuring turnover is =

$$\frac{\text{Number of leavers in a specified period (usually 1 year)} \times 100}{\text{Average Number of employees during the same period}}$$

7. STRATEGIES TO MANAGE ATTRITION:

The following are few tips to manage employee attrition in an organization

- i. **Compensation and Management:** Compensation and Management must be managed based on the KSAs (Knowledge, Skills, Attitude and Experience) of the employees.
- ii. **Create Opportunities for Employees:** The Company has to create growth opportunities for employees to enhance their experiences and earnings abilities.
- iii. **Engaging Employees:** Employees must be engaged in continuous basis and they should not get bored with their work, which can be managed through internal transfers and training from time to time.
- iv. **Review Recruiting Practices:** Selection and Recruitment policies must be reviewed to suit the growing needs of the organization.
- v. **Technology Opportunities:** Leveraging technology to manage the organization and enhancing the technical expertise of the employees will

help organization grow without much problem.

- vi. **Career Path for Employees:** Employee career path must be declared during the recruitment process and should be explained to the recruited people.
- vii. **Feel Valued in organization:** Non- financial rewards, a pat in the back in time and celebrating small achievements with great fan- fare will help employees feel valued in the organization.
- viii. **Contact with Senior Management:** Senior Management should address employees periodically and should make them feel like a family.
- ix. **Attendance:** Policies with regard to attendance must be creative and flexible.
- x. **Educate Employees on their Impact:** Educate employees regularly on what kind of impact they are creating on organization through their contribution.
- xi. **Flexibility:** Immediate bosses and middle level managers must be flexible and act as Chief Happiness Officers to avoid triggers of attrition.
- xii. **Other strategies:** Other such practices like effective communication system, participation management, profit sharing policies, fair performance appraisal, promotion policies etc

8. CONCLUSION:

Employees are the most valuable assets of an organisation, who add value to the organisation in terms of quantity as well. Therefore, it is indispensable to maintain a permanent and promising workforce. High employee turnover brings about multiple problems including high costs, knowledge loss and low productivity. The organisation should have a proactive retention strategy which helps in reducing the employee turnover.