FACTORS INFLUENCING ATTRITION AMONG EMPLOYEES IN BPO INDUSTRY IN BANGALORE – EMPIRICAL EVIDENCE

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ABSTRACT

The employment expectation, by the year 2020, from the Business Process Outsourcing (BPO) industry in India has been around one million people. However, the challenge being faced by the very same industry is to find quality human resources. The attrition rate, before the economic slowdown of 2008-09, was around 50 percent and this has dropped down to about 20-25 percentage across major BPO organizations. Today, we are into the early stages of economic revival and the major problem of attrition is expected to surface again as a major bottleneck to the industry. This paper aims at analyzing the current trends in attrition. The main focus of this paper is to re-establish the major factors that influence attrition across various population strata and suggest industry best practices mapped to these factors to curtail attrition in the Indian BPO industry. The research is based on both survey and desktop research, with a non-probabilistic sampling. The main tools for analysis are based on Pareto-histograms to identify major causes for attrition. In summary, there are some interesting findings of the factors that influence attrition and major variation between overall population and various sub-sets of population. Finally, it has been recommended with solutions to curtail attrition mapped to each factor, across sub-sets of the population.

KEYWORDS: Business Process Outsourcing, Attrition Rate, Recession, Bottleneck, Population Strata.

INTRODUCTION

Attrition is the biggest challenge for the BPO industry in India today. As per the opinion of the industry experts, when the Industry was still in its initial stages, there were a lot of strategies available to reverse this and offer many employment opportunities as attractive employers.

HR has been identified as one of the key challenges of the ITES-BPO industry and within HR, attrition and shortage of skilled talent have been identified as a short-term and long-term challenges respectively by NASSCOM ITES-BPO forum. In order to address these challenges, a special task force has been formed by the very same forum.
This paper drills deeper into the major causes for Attrition, analyze the impact and suggest industry best practices to tackle attrition for the Indian BPO Industry. Let us first look at fundamentally what is the definition of attrition and look at attrition rates across the globe. Please refer the table below. The table contains Attrition rate calculated globally in major continents and their respective percentages are provided. We can observe that Indian industry has a lower percentage compared to other geographies. However, it is a major concern in the ITES BPO industry segment.

Table - 1: Attrition rate across the globe.

<table>
<thead>
<tr>
<th>ATTRITION</th>
<th>RATE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>42%</td>
</tr>
<tr>
<td>Australia</td>
<td>29%</td>
</tr>
<tr>
<td>Europe</td>
<td>42%</td>
</tr>
<tr>
<td>India</td>
<td>18%</td>
</tr>
<tr>
<td>Global Average</td>
<td>42%</td>
</tr>
</tbody>
</table>

The meaning of Business Process Outsourcing (BPO) lies in itself, as the very word outsourcing suggests, is the delegation of one or more IT-oriented business activities to an external service provider who in turn will own, administer and manage the selected activities upon mutually determined and defined measurable performance criteria.

As we know and have been witnessing, BPO industry is one of the fastest growing areas of the Information Technology Enabled Services (ITES) industry.

The Indian BPO industry has been in existence for around 15 years and has been having a phenomenal growth to the extent that what was handful in the first few years has become 500 companies within a few years today. As per ICRA - Indian BPO industry report, by 2012, around $50 billion will be the likely size of the Indian BPO market, where there is a likelihood of generating an employment to the tune of 400,000 people. A call centre pays higher salary than other job openings to a fresh college graduate. is about 2.5 times, a call center pays about 2.5 times as much as other job openings. The cost per transaction is estimated to be lesser in India when compared to China which is 52 cents and this shows that there is a continuing trend in the boom.

However, the fact is that, in spite of exhibiting impressive continuous growth and prospective growth for the BPO industry, there appears to be a very high attrition rate almost close to 30- 40%. The disheartening fact is that the actual figure is different from the reported figures, which is as high as 80 % annually. As per Nascom’s report it is expected that, by 2012, there would be an expected shortage of 2,62,000.
This shortage of man power it is expected to have, in the long run, severe impact on the industry and also increasing the cost advantage, which at present, is being considered in favour of Indian industry.

Figure - 1: Indian BPO market share

![Graph showing share of the Indian BPO sector in the Global BPO market.](Image)

( Courtesy: Azure – Financial and Knowledge Based Service provider)

Recruiters are of the opinion that the increase in attrition rate will in turn increase significantly the investments made on the employees in terms of recruitment and training during the initial periods. It has been found that the problem of spending money on employee recruitment and selection is more prominently more in the BPO segment. Companies spend a lot of time and money in terms of training a candidate for the first few months. Since, Recruitment and Selection in the case of majority of the BPOs are carried out by outside agencies at a cost of Rs 5000, these costs which are otherwise considered as investments including the other associated cost of training and administrative service cost by the companies, do not always fetch companies actual profits. Hence, it is considered as a bad investment for the company if an employee leaves the organization within the first 6 months.

However, there is another side of the coin to be looked into with special focus on attrition rate in BPO industry in India. At present, what India is working in Business Processes is low end, where high skills are not required. And the low cost and high quality labor which India provides are the mantra for India’s success. India is the only country where there has been a balance between the cost incurred and the quality provided when compared with other countries like Philippines, South Africa and Ireland who are also in the same field. In order to be competitive and successful in the years to come, Indian companies have to keep the cost low. Hence the companies in outsourcing business are considering the present attrition as a positive one and hence they serve the industry by keeping the cost low.
NEED FOR THE STUDY

The question to be answered is when the organisations are doing so much to retain them, what is the need for the employees to leave the companies?. Is it basically to reduce the cost?. Whatever angle one looks at for the reasons, the answer is definitely NO. It is not the cost alone involved in training the employees but also keeping the talented employees from crossing the fence and jumping over to other companies in the same field. Other than reducing the cost involved in Recruiting & Selecting the employees and Training them, there are other virtual benefits to the organisations in employee retention process. Some of such benefits are Cost of turnover, Loss of company’s knowledge, Interruption of customer service, Turnover leading to more turnovers, Goodwill of the company etc.

OBJECTIVES

The objectives of this paper are as follows:

1) Analyze and find the major factors/reasons contributing to Attrition in Indian BPO Industry

2) Identify industry best practices and discuss the possible solutions to mitigate attrition

The main objective of this paper is to find out the reasons for attrition rate and to give solutions and remedies for the same. The purpose of this paper is to understand the reasons of attritions in the BPO industry and what measures can be taken by the organization to bring it down.

LITERATURE SURVEY

There were several reports that were found regarding the attrition rate in the BPO industry. But some reports and results were referred so as to enhance this work. Hence for Market Research Report “Reduction in Attrition using Six Sigma & Mahalanobis Taguchi System (MTS)” from Shree Phadnis from QAI was referred. A report based on the “Reasons and Ways to Control Attrition” for academic reports were referred. Some business articles from media like “The Financial Express” were also referred. Study reports from BPO organizations were referred from “An IT ITES case study” by Azure. The related BPO blogs, interviews and information from online forums also were referred. All the remaining reports are listed in the bibliography section. Based on these literature studies the author has arrived at the most common factors that lead to attrition in Indian BPO industry. Apart from factors
the author has also studied the impact of attrition on the BPO firms in detail. In the upcoming topics the same have been shared. Finally, the author has derived the gaps of past research which sets the stage for survey, analysis and conclusion of findings.

There are several reasons which would cause an employee to leave the organization. Out of all the literature study done, there are a few common reasons which lead to attrition.

These factors are Higher pay by other companies, Uncomfortable work timings in the present organisation, Lack of trust and support from coworkers, seniors and management, Lack of Career growth in the present job, Lack of appreciation by the supervisor which lead to feeling of feeling of de-motivation among the employees. Other than these factors, the employees also assess the management values, work culture, work practices and credibility of the organization, which will also make them consider whether to stay or not in their present organisation.

The figure below illustrates the attrition rate of several industry segments in India. The maximum attrition is seen in the BPO industry in 2007. This is the epitome phase of attrition in the Indian BPO industry in the last decade. During 2008-09, the global economic recession impacted the Indian economy and in turn, the outsourcing industry in India.

**Figure - 2: Attrition rate in different sectors in India**

![Attrition rate in different sectors in India](image)

**RESEARCH METHODOLOGY**

This paper is mainly desk based research and also it has adopted some surveys that are taken for the purpose of preparing this paper. So this is both desk based research and survey based research work.

**Target respondents:**

The respondents mainly constitute a combination of the following:

- Employees working for BPO firms in India.
Customer care and technical support representatives (on contract).

Human resource and management staff in BPO firms.

These respondents could have various mix of experience and role that they play in the BPO firms.

**Sampling methods:**

The sampling methods chosen in this research work are a combination of methods falling under Non-probability sampling techniques. The following are the three methods used: *Convenience Sampling, Disproportionate Stratified Random Sampling* (the target population is segregated in the following 4 strata namely a). Voice and Non-Voice, b). Years of Experience, c). Income Range and d). Number of Jobs Switched.

**DATA ANALYSIS AND INTERPRETATION**

Let us have a look and go for a detailed analysis of data. These data are the results of the survey made where the respondents have given their opinions for their questions. Based on the data received, several interpretations are made regarding the impact of attrition rate in majority percentage of people. And also a detailed analysis is discussed.

**Population Sub Division Labels**

The entire survey population is divided into categories and they are respectively labeled. The overall response is labeled as “Total”. Remaining categories are divided into twelve categories which are displayed in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall response</td>
<td>Total</td>
</tr>
<tr>
<td>First Job</td>
<td>1A</td>
</tr>
<tr>
<td>1 or 2 Jobs Changed</td>
<td>1B</td>
</tr>
<tr>
<td>INR 10 to 20K</td>
<td>2A</td>
</tr>
<tr>
<td>INR 20 to 30K</td>
<td>2B</td>
</tr>
<tr>
<td>INR 30 to 40K</td>
<td>2C</td>
</tr>
<tr>
<td>Voice</td>
<td>3A</td>
</tr>
<tr>
<td>Non Voice</td>
<td>3B</td>
</tr>
<tr>
<td>Voice &amp; Non-Voice</td>
<td>3C</td>
</tr>
<tr>
<td>6 to 12 Months</td>
<td>4A</td>
</tr>
<tr>
<td>1 to 2 Years</td>
<td>4B</td>
</tr>
<tr>
<td>2 to 5 Years</td>
<td>4C</td>
</tr>
</tbody>
</table>

In the below pie-chart, the percentage distribution in each category across the population is depicted. We can observe that the top three categories are “1 or 2 jobs”(1B), “Non-voice”(3B) and “INR 10,000 to 20,000”(2A). Please note that each respondent could
fall into the five categories and so that they also fall into five of the twelve subcategories. In summary, the data is not mutually exclusive.

![Figure- 3: Distribution of Survey Respondents across Categories](image)

In the below table are the terms used to create histograms are present and the respective Abbreviation and Expansion are given.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Expansion</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>CG</td>
<td>Career Growth</td>
<td>Long term career option and growth in your career influencing attrition</td>
</tr>
<tr>
<td>WT</td>
<td>Work Timings</td>
<td>Flexible Work timings</td>
</tr>
<tr>
<td>NV</td>
<td>Non-voice jobs</td>
<td>Non-voice job profile influencing attrition</td>
</tr>
<tr>
<td>SA</td>
<td>Salary</td>
<td>Salary Hike as a motivation factor for attrition</td>
</tr>
<tr>
<td>WH</td>
<td>Work from home</td>
<td>Temporary option of working from home</td>
</tr>
<tr>
<td>RE</td>
<td>Relationships</td>
<td>Good and mutual Relationships between management and colleagues</td>
</tr>
<tr>
<td>SH</td>
<td>Stress and Health problems</td>
<td>A Job option that does not give Stress or health related problems</td>
</tr>
</tbody>
</table>

DATA ANALYSIS FOR VARIOUS POPULATION CATEGORIES

1A- First Job:
It means that people who are into the first BPO job and they have not shifted or quit from the job for any reason.

Discussion:
For respondents who are into their first job Career Growth is more important than Work from Home option. But in overall population, ‘Work from Home’ has been ranked higher than ‘Career Growth’. For both categories (First Job and Total population) ‘Flexible Work timing’ is the top most priority in their BPO jobs. And also First timers do not see ‘Non-voice’ jobs as their career preference for their BPO jobs. In 1A category, overall population is 215. And the people in first jobs are counted as 55.
2A: (INR 10K to 20K)
People who earn in the range Rs.10,000/- to 20,000/- fall under the category 2A.

Discussion:
It is observed that people who earn from Rs.10,000 to Rs.20,000 have shifted 1 or 2 jobs. WT (Work Timing) is top most priority factor for both the categories (2A and overall population). For the category 2A (INR 10k to 20k), SH (Stress and Health related issues) and SA (Salary hike) are the top 2nd and 3rd priorities. Whereas in the overall population, the 2nd and 3rd priorities are WH (Work from Home) and CG (Career Growth). Also SA is ranked as 3rd for the category 2A whereas it is ranked as 6th for the overall population. The total count is 215 respondents and population for the category is 104.

3A: Voice
This category explains us about the people who are working in the Voice BPO.

Discussion
It is noted that all respondents in the Voice BPO jobs have definitely shifted 1 or 2 jobs. For the total population, the factor flexible Work timing (WT) is more important than Work from Home (WH) factor. The Voice BPO job respondents equally want flexible Work timing and the Work from Home option. And also both the categories (3A and Total population) give equal importance to Relationship factor (RE). But both the categories have given top most priority to Work Timings (WT). For this 3A category respondents SA (salary
hike) factor is the least priority. The total number of respondents under this category is 74 out of 215.

Figure - 6: Analysis for Category 3A Voice Job Respondents

3C: Voice and Non-voice
This means that the respondents have worked in both Voice BPO profiles and Non-Voice BPO jobs.

Discussion
For the category 3C, the factor Stress and Health related issues (SH), Work timing (WT) and Salary hike (SA) are the same and ranked as top priorities. And also Salary hike (SA) is one of the top priorities whereas SA is not the top priority for overall population. The factor Career Growth (CG) is not one of the top most priorities and also it is ranked very low. The population under this category is 29 out of 215.

Figure - 7: Analysis for Category 3C Voice and Non-Voice Respondents

4C & 2C Higher Experience and Income Range
Here people who have an earning between INR 30,000 to 40,000 (2C) and also people who have job experience from 2 to 5 years (4C) are compared with the overall population.
Discussion

Relationship factor (RE) is coming as one of the top priorities for two categories 2C and 4C whereas overall population does not have that factor as a top rank. Another unique observation is that the factors Work Timings (WT), Career Growth (CG) and Relationship (RE) are the top most and equally prioritized by the category 2C. The number of respondents for 2C is 29 and for 4C is 112.

SUMMARY OF FINDINGS

Based on the overall survey result analysis of the 215 respondents from various categories of BPO industry, the top three causes are Work Timing (WT), Work from Home (WH) and Career growth (CG). The percentage score and the actual scores (given in brackets) for WT, WH and CG are 19.82% (1692), 17.03% (1454) and 16.61% (1418) out of total score of 8537. In the overall population survey Salary or Salary Hike doesn’t figure as the top priority factor for attrition in BPO industry. Even through salary plays a major role, in today’s economic condition any strategy or industry practice build around salary and salary hikes may not curtail attrition comprehensively.

However, the finding in each subcategory is somewhat different than the overall population. Now we list 5 subcategories out of a total of 12 subcategories who’s survey results provide a different pattern to analyze. Let us look at the key highlights of findings across these 5 categories:

1. Findings in Category 1A: For the first job holders in the BPO industry, SA and NV job options are not a major cause of concern and these are of least priority, unlike the overall population respondents. So the strategies chosen to curtail attrition in this segment should be built around WT, CG and WH factors.
2. Findings in Category 2A: The SA and SH are among the major factors in this category, whereas WH and CG are only ranked lower than these factors. So the strategies designed to curtail attrition for these segment of employees should give higher weight age to SH and SA.

3. Findings in Category 3A: In this category of respondents we find that all voice job profile holders have at least shifted 1-2 jobs. So it confirms to the fact that attrition is higher in “Voice” Profile BPO jobs than in Non-Voice jobs. So the factors influencing attrition in this category is of at most important to curtail attrition in BPO industry. For designing a strategy to address attrition for this segment of the population should be design around mainly 2 factors namely WT and WH. CG only comes as third priority. Only difference from the overall population is that WH factor is relatively ranked higher than CG.

4. Findings in Category 3C: This category belongs to the respondents who have worked in Voice and non-voice profiles or those who have shifted from Voice to a Non-Voice job profile. For his category of respondents SA and SH are of at most importance, along with WT factor. So industry best practices should be chosen accordingly to address attrition issues for these employees.

5. Findings in Category 4C and 2C: This category belongs to employees who are quite settled in their BPO career with job experience between 2-5 yrs and have a income in the range of INR30,000/- to 40,000/- range. The factor unique about these 2 categories is that RE is considered as one of the major motivators to continue in their current jobs. So relationships and a sense of belongingness at workplace is a key factor to consider for curtailing attrition for these employees.

SUGGESTIONS:

Due to the nature of the industry, it can be predicted that the problems pertaining to attrition in BPO industry will remain a hurdle for them in the future also. As has been witnessed in any industry during their growth stage, the attrition is consistent even in BPO industry. In IT industry, manufacturing industry to name a few, similar high attrition had been witnessed during their growth stage which afterwards reduced during the industry maturity stage. Now, it is high time that we should see what best could be done rather than getting bogged down with the attrition problem.

Following are, based on the study conducted, some of the suggestions:
The employers, on their part, so as to get maximum returns from new employees, recover training and development costs from the employees, appoint employees who already have enough knowledge in the domain where they are required to work, minimize cost and time in training new workforce, and finally go for adequate Manpower Planning.

The employee should enrich their job profile, plan a better career path, look for challenging work environment and future prospects of the job. In a nut shell, the prospective employees should look for jobs that satisfy their overall needs as discussed earlier.

CONCLUSIONS:

It is difficult for anyone to find out who or what is cause for the attrition of the employees and who could have a control over the same. Previous studies conducted have concluded that everyone is contributing to the prevailing attrition and that there is no single reason which can be attributed to attrition. The speed at which both the industry and the companies are expanding has a major part in attrition. In fact, we should admit that we have not planned and prepared for such a phenomenal growth of this BPO industry. The preparedness in all angles would have surely reduced the problems to a great extent. However, it is quite unfortunate that in India we start the company even before having the required infrastructure. The history of many major IT companies will prove this. If we probe deeply into the specific reasons for attritions, the reasons may be varied in nature and it will be interesting to know why people change jobs so quickly. However, the reasons for such an alarming rate of attrition, as mentioned earlier, cannot be attributed to employees alone.

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