



ORIGINAL RESEARCH PAPER

Management

ISSUES OF ATTRITION AND RETENTION IN BPO INDUSTRY – A STUDY WITH SPECIAL REFERENCE TO INDIA

KEY WORDS: employee attrition, employee satisfaction, BPO Industry.

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ABSTRACT

The BPO industry in India has been emerging as a very popular employment sector in the last few years, but one of the greatest challenges is a dramatic rise in the rate of attrition. It is marked by excessive work hours, high stress and other factors such as stagnation, monetary dynamics and higher salary arbitration, a rising attrition rate is one of the biggest challenges for the Indian BPO industry. Today most of the companies in this industry is practising to reduce this attrition rate by using employee retention technique like giving huge benefits to them. This study is indented to identify the causes for the employee attrition and scrutinizes the issues of attrition and highlight the employee satisfaction in BPO industry in India.

INTRODUCTION

Business Process Outsourcing mainly includes offering services to third parties or supporting business processes that may be back offices, voicing and cover all forms of sectors such as BFSI, insurance, finance, travel, and so on. Any company made from a third country is called off shoring and is called off shoring from a neighbouring country (expatriate). This industry has developed tremendously and India remains the leading player in the global scenario. Compared to the IT-BPM sector, the Indian global procurement market continues to expand at a greater rate. India is the world's leading sourcing destination with about 55percent of the global services sourcing market in 2019-20, at USD 200-250 billion. With around 75percent of world digital talent present in India, this country has become the world's digital capability hub. The sector has developed steadily and strongly in recent decades and has offered present-day youth a great lifestyle which has changed the whole of the current generation. Over the years, the industry has undergone significant changes and expanded its horizons to almost all markets. However, the greatest issue facing industry today is the high employee turnover and the companies are finding it difficult to retain the talents. This industry has seen immense change in the outsourcing sector over the last two decades. Even those companies which are providing excellent source of fringe benefits are facing a huge attrition rate in the current scenario because of job shifting for higher promotion, better benefits, and health issues and so on. Hence, to explore the route cause for the employee attrition in Indian BPO industry and ways to address the same the present study has been undertaken and the findings of this study would help to address the same.

REVIEW OF LITERATURE

The earlier researches are reviewed in this part of the study to have deep insight about the issues relating to the employees attrition. **Raman, R (2006)** used the new term of "Drag Attrition" which is due to outcomes such as lack apparent value of their work, lack of commitment of BPO's experience working or outside BPO industry, absence of career development opportunities, lack with time-based promotions.

Bhaduri (2008) felt that in an organization the endurance is all about doing careers. The author argues that BPO organizations have used gimmicks like weekend parties, branded office coffee shop, gymnasium, excursions, etc. to tackle the attrition. Then, if organizations want to manage attritions on a long-term basis, they need to pay close attention to their employees' work. It suggests that clients begin by looking at the organization's performance

management system. In his view, every manager should also be properly trained in providing candid feedback and coaching his team members to enable them to learn and performance excellence and thus improve their career development as a powerful tool for combating attrition over time.

Ananthraja (2009) has investigated the factors in charge of employee turnover in companies outsourcing the business process outsourcing. The author has defined the system-related causes, such as shift in company policy, lack of advancements in technological profession, lack of opportunities to develop skills continuously, proprietary technology does not add value to bio-data and the promotional pause, lack of clarity in assessment and promotion policies. The researchers proposed that each company should concentrate on managing employee relations (ERM). and a continuous process should be undertaken to meet the fair needs of employees.

Neeraj Pandey and Gangadeep Kaur (2011) have conducted group discussions and semi-structured interviews with employees of the Indian ITeS call centres, who changed their job at least once in their career. They found that the analysis of the employees' human resources policies compare with the employee policies in another industry is very much required as well as facilitating the ITeS call centre employees with regard to relevant issues such as career preparation, assessment method, salary and schedules.

Sunil Kumar Dhal (2013) examined the key causes of increasing BPO companies' employee turnover and the way to control the employee attrition. This study attempts with sampling size with 150 ITeS companies in Bhubaneswar. The author has stated that employee attrition reflects their entire business strength and weakness and also explained that organizations also face difficulties in retaining the remaining employees due to the reason behind with stress, rotation shift, work pressure and so on as well as attracting potential employees and providing suggestion to retain them in industry with the influencing factors such as arranging for tour, meditation, providing gym centre, attractive salary, making environment flexible and so on.

Latha (2013) has conducted the study with the objective to find out the reason for high attrition problem in ITES sector and analysed the demographic profile of the employees in this sector using the samples from companies functioning in Chennai city. The study has determined that the highly contributing factors which affect the employee attritions are

employee engagement, employee satisfaction, the quality of work life and lack of fringe benefits. The researcher concluded with note that the reward system is one of the best way to efficiently retaining the employees, and by designing wage and salary benefit policies which is complement to arrest the human resource outflows which in turn help the management to reduce costs and discomfort related to employee retrenchment.

A study by **Janani (2014)** has revealed that there are many push, pull and personal factors involved and initiating the thought of turnover among employees. The study found that the plenty of opportunities available in the market for experienced, well experienced employees is one of the major reasons because if they switch over to other companies they will get more pay. Hence, the IT companies should be alert and frame some necessary strategies to reduce attrition so that they can reduce the expenditure of employees for recruitment, training and development and so on.

Manish Madhan and Esha Jain (2015) have revealed that IT and ITES sector facing the high attrition rate in each and every year. They have conducted the study aimed to develop and provide a model or plan for the BPO industry to lower down the rate of attrition and retention in the industry by working on some certain independent variables (employee satisfaction level). The broad objective of study was to identify the factors of attrition in BPO industry and to analyze the various dimensions of attrition and retention in the BPO industry. They have chosen the listed BPO industries in Gurgaon City for their sampling purpose and by using simple random sampling method, and by applying the factor analysis methods they have identified the factors for attrition are self-growth, employee perception, work life balance, fringe benefits and so on. They concluded that the reason for attrition rate will surely affect their business in future.

A study has been conducted by **Aditya gautam and Amith Malhotra (2015)** with the aim to analyse the perception level of both male and female employees towards the HRM practices in IT Industries. They have used the convenience sampling method for choosing the 400 samples in the companies functioning in and around New Delhi and the sample include the employees working in lower and middle management. The authors have stated that high rate of employee attrition has occurred due to the poor monetary measures followed by the company and the performance related setbacks in the organizations. They concluded their study with the note that the good HRM practices such as conducting regular training programmes, providing adequate salary and monetary benefits, rendering welfare measures and so on will help them to retain their employees in future.

Narayana Rao , Subbarayudu and Siddhardha(2016) have conducted a research work with an intention to identify the causes for employee attrition in IT industry and to give some remedial measures to control of this problem in future. They noted that the ITES industry has plagued by high employee turnover it gives sleepless nights to Human Resources managers (HR) in all over the world. The study was carried out among the employees working in BPO companies situated in Visakhapatnam district and the opinions from 100 employees were taken for the analysis. The study examined attrition trends in BPO industry and to investigate the relationship between employee motivations, work satisfaction, and employee retention in order to use employee motivation to maintain workers in an organisation. The statistical tools such as Chi-square analysis, weighted average method, T-test and F-test were used for the analytical purpose. The study concluded that the IT industry should design the employee retention plan by implementing proper compensation policies, brings the changes in working culture and to create some opportunities for the growth of their employees within the organization by adopting new and innovative training programs.

Manju Dhillon (2016) has done a research work to study and explain why Indian IT sector is facing highest attrition rate and to present some of the remedial steps to avoid or reduce the turnover rate. The study found that the passionate people were appeared among the youth and these people might work for their passion .They shifted to other companies if HR fixes some unacceptable deadline for work completion and hence they could not work for a year in same company. The study concluded with the list of remedial measures to minimize the attrition levels in the IT companies. The organization has to make a retention strategies like rewards and recognition, pleasant working environment, skill recognition, support learning, training and development opportunities, mentoring and coaching sessions, good compensation structure, providing flexi-timing facilities and annual performance appraisal and these will be very much helpful in retaining the employees.

Nityabh Singh and Nandini Shrivastava (2019) have undertaken a research work with the aim to find out the concrete reasons for high attritions rate in the ITeS organisations as well as the various retention strategies to be implemented in ITES companies. The stratified random sampling technique was used to collect the data and the study concluded that ITeS companies should give more training and development program in order to develop the skill of the employees and help them design their career well in the organization and this would help them to retain their employees in future.

OBJECTIVES AND METHODOLOGY OF THE STUDY

The primary objective of the study is to understand the reasons for the high employee attrition rate in Business Processing Outsourcing industry in India and strategies to overcome the attrition issues. In order to understand the same, the information relating to the employee attrition in various industries and the employee's turnover in the Indian IT and BPO sector have been collected from various websites, journals and magazines. Since the study is descriptive in nature, the data required were collected from the secondary sources and the collected data have been presented in an orderly manner in order to have a deep insight about this issue.

CURRENT SCENARIO OF INDIAN BPO SECTOR:

The Indian outsourcing process (BPO) market saw a value decline of 9 percent in 2020, as a result of interruptions caused by recent COVID-19 related restrictions and the difficulties service providers faced in bringing their operations home to their work environment. BPO Services in India, as per the Global Data noted, has declined from USD 8.6 billion in 2019 to USD 7.9 billion during the 2020, with most of the companies involved with service providers from outside India to handle their main business processes, such as telemarketing, client support and data management, which are seriously disrupted by the COVID-19 operation.

The market uncertainty following the COVID-19 outbreak led to a significant decrease in business income throughout the year, which prompted companies to adopt a cautious approach on their outsourcing strategy. According to a survey of ICT decision makers - Global Data, nearly 44 percent of respondents indicated that they would minimize their expenses. The another major problem for the domestic BPO's market is the movement restriction of customers from few outsourced processes, particularly BPO's data-sensitive banking or insurance processes, to remote working-to-fresh model. Moreover, because of workplace capacity constraints and BPO employees' difficulty in travelling to their offices due to the limited transportation options available to them during the pandemic also lead to widespread interruptions in BPO's operations in the domestic region.

BPO is the largest and fastest-growing human resources segment in India's overall industry, based on its size. Small

and Medium Enterprises are contributing the bulk of their BPO sales and will continue to be the largest customer segment in India during the 2010-2024 forecasted timeframe for outsourced business process services. Outsourcing enables low-budget small and medium-sized business organizations to avoid problems in recruitment and training and to invest on the needed IT infrastructure and give them more flexibility to meet the evolving market conditions. At the same time, during this pandemic period the industry also facing lack of manpower and increase the chances for the failure to produce services on time, leading to delays and legal obligations for businesses which have been forced to operate with 25 to 50 percent. This has happened to the non-performance companies in corporate divisions those who were aiming to minimize staff density. However, unlike earlier, this introduces the likelihood of near shoring and on shoring compared with off shoring and this has lead more attrition rate in all over the world.

ATTRITION IN INDIAN BPO SECTOR:

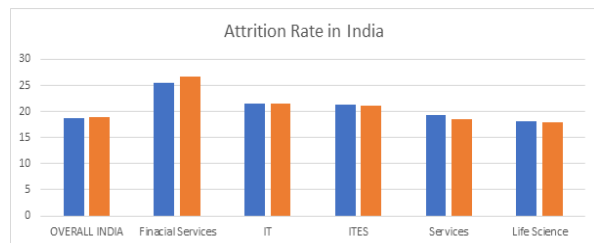
Attrition can vary widely, depending on the company's size and business type the call centre provides for. The Multi-National Companies will have the higher probability to face the high employee turnover rate.

Table 1: Attrition Rate In India- 2018-2019

ATTRITION RATE IN INDIA	2019-20	2020-21
Overall India	18.8	18.9
Financial services	25.5	26.8
IT	21.5	21.5
ITES	21.3	21.1
Services	19.3	18.5
Life Science	18.2	17.9

Source:Secondary data retrieved from various websites

From the Table 1 it is found that the employee attrition rate is high in the case of Financial sector followed by The IT sector. The financial sector in India has been severely affected during the pandemic period due to its work nature. Since the work from home method of discharging the duties did not suit well to the financial sector could be the reason for the same. The employee attrition rate in the financial sector was 26.8 in the year 2020-21 followed by Indian IT sector with 21.5 per cent.



In India, every year of the average rate of attrition in the ITES sector is approximately 30 to 35 percent. As far as the rate of attrition is concerned, the US has been facing more than India. In reality, off-shoring has given support to US baseline businesses. On the other hand, attrition is healthy if it is in small amounts as it brings benefits to the company. Moreover, healthy employee turnover allows companies to remain competitive in such an unrestrained situation. But, if employee attrition rises above a tolerance limit, then these benefits can transform into great pain. The rising attrition rate has become a constant concern in the ITES call centres the Indian industry.

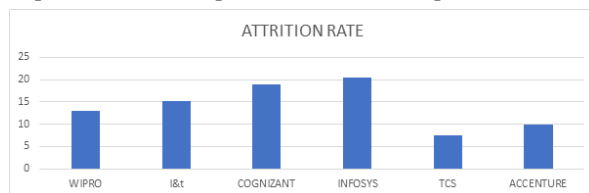
Table 2: Attrition Rate In It And Ites India -2020

Companies	Attrition rate
Wipro	13
L&T	15.1
Cognizant	19
Infosys	20.4

TCS	7.6
HCL	14.6
Accenture	10

Source:Secondary data retrieved from various websites

Table 2 clearly shows the attrition rate in Indian IT sector companies. It reveals that TCS is able to retain its employees in good manner with 7.6 percent. Next to TCS, the Accenture has contained its attrition rate with 10 percent followed by Wipro - 13 percent, HCL - 14.6 per cent and L&T - 15.1 percent.



This Attrition rate may indicate that higher salary and monetary rewards expectation, less commitment with project during the pandemic period, family pressure and so on are found to be the reasons for the same and this could have affected the attrition rate in ITES sector. It is found that the salary difference would be the main reason for attrition. It is noted that only good performers get a supernormal hike in their salary, and the moderate and average performers did not get a hike in their salary during this pandemic period and hence this disparity in the salary hike leads to dissatisfaction among those who did not get any positive revision in their pay. This might be the reason for attrition and hence, the retention of the employee in their organization becomes a challenging task for the HR managers of the institutions concerned.

Table 3: Distribution of Double digital salary in India-2019-2020

OFFERING DOUBLE DIGITAL SALARY IN INDIA			
SECTOR NAME	SECTORS SUB-DIVISION	PERCENTAGE OF CLUSTER OFFERINGS IN DOUBLE DIGIT SALARY	
		2019-20 Actual Increment	2020-21 Project increment
IT/ITES	IT/ITES	10.8	10.4
	ITES-KPO captives	9.1	8.9
	ITES-Third Party BPO	7.9	8
	IT Services	7.4	7.4
FINANCIAL SERVICES	GENERAL SERVICES	7.9	7.8
	LIFE INSURANCE	7.6	7.7
	MUTUAL FUND	7.2	7.1
	BANKS	6.9	7.1
	NBFC	7.3	6
MANUFACTURING	CHEMICALS	9.5	8.9
	ENERGY	9.5	7.8
	ENGINEERING MANUFACTURING	7.8	7.5
	AUTOMATIVE PRODUCERS	7.1	7
	METALS & MINING	7.6	6.5
	INFRA/ EPC/ REAL ESTATE	7.6	6
	SERVICES	HOSPITALITY	9
ENGINEERING CONSULTING	6.6	7.1	
RETAIL	7.7	7	
TELECOM & ANCILLARIES	5.8	6.2	
LIFE SCIENCE	8.9	8.4	
FMCG/FMCD	8.2	7.7	

Source:Secondary data retrieved from various websites

Table 3 clearly indicates that IT and ITES companies have offered a good benefit to their employees compared to all other sector during the study period. It is has offered 10.8 percent in the year 2019-20 and projected 10.4 percent during the year 2020-21. The Chemicals sector is able to provide a decent salary hike during the pandemic period. It has offered 9.5 per cent hike during the year 2019-20 and expected to give 8.9 per cent hike during the period of 2020-21. Almost the same level of performance has seen in the Energy sector too. It has offered 9.5 per cent salary hike in 2019-20 and expected to give 7.8 per cent hike in the forth coming year 2020-21.

Table4: Salary Increase to the different levels of Staff in the year 2019-20

Sector	Over all	Top managment	Senior Managment	Middle Managment	Junior Managment & Others	Difference between Top & Junior Managment
Overall India	7.8	8	7.2	7.6	6.8	1.2
IT	9.0	9.2	8.7	9	8.1	1.1
ITES	8.7	8.9	8.6	8.5	8.1	0.8
Life Sciences	8.4	8.4	7.9	7.9	7.5	0.9
FMCG/ FMCD	7.7	7.9	7.1	7.5	7.1	0.8
Manufacturing	7.2	8.3	6.4	7	7.4	0.9
Financial Services	7.1	7.6	6.7	6.9	7.2	0.4
Services	7.1	7.2	6.2	6.9	6.8	0.4

Source:Secondary data retrieved from various websites

Table 4 describes the per cent of hike in the salary of the employees in the year 2019-20 for all the levels of management in various sectors. It is found that Indian IT sector is providing highest salary hike in the selected year. It has offered 9 per cent hike (overall) followed by ITES sector with 8.7per cent and life science sector with 8.4 per cent. At the same time, the Indian IT sector has given the disparity in the revision of salary. The top management staffs are getting more hike than the junior level staff and the gap between these two categories is much higher (1.1 per cent) when compare with all other sectors. The overall pay hike data reveals that Indian IT and ITES are the best pay master when compare with the remaining sectors in India. In spite of this, these two sectors are struggling with the high attrition rate issues and finding difficult to retain their employees.

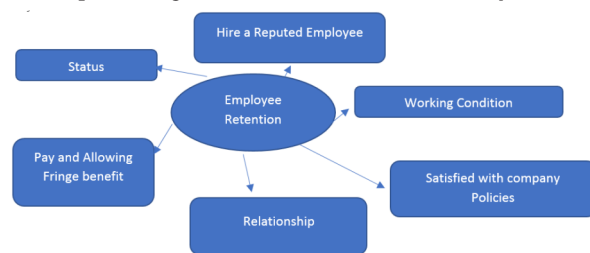
Reason of Attrition in ITES

The first sign of the employees' dissatisfaction in any institution is the elevated level of absenteeism and the increased employee turnover. The outsourcing industry in India suffers from a higher employee turnover than almost anywhere else in the world. This has happened due to lot of reasons. The key attrition factors are normally poor management, merger and acquisition, inability to use the competencies of the employee, Lack of role clarity, Lack of challenge, the boss is always right mentality, rigid attitude, job stress, lack of learning opportunity, lack of excitement and innovation in the job, compensation and so on. But it is found from the data analysed that the disparity in the income plays a key role for the attrition in Indian IT sectors.

Employee Satisfaction Level and Employee Retention In INDIA

The biggest challenge in the Indian BPO industry is the

employee attrition. The attrition rate is higher than in this industry when compare with all other industry. This rate of attrition is very important to monitor in this industry, since it is severely hitting the overall performance of the respective company. Hence, focusing on the employee retention programme is now becoming increasingly important at this point of time. There are various employee retention schemes in which is normally followed in the IT sector. For an employee retention, a single method like training alone may not be adequate. The best outcomes can be obtained by using strategically different instruments for employee retention. In order to keep the employees going on the right path and likely to continue for longer tenure, employees should be recruited and selected scientifically and further, they should be employed with good working atmosphere. Make the employee mind free environment by providing good surroundings, gym, hygienic canteen, washroom and so on will help them to get better relaxation in this industry.



CONCLUSION

Due to the increased attrition rate, the existing contracts obtained by the Indian BPO companies have been forced to revoke and hence, there have been lawsuits among contracting parties concerning the failure to meet contractual obligations. In short, suppliers of outsourcing services and their customers were vulnerable to instability, cost rises, and further legal problems. Slips in service levels have significantly disrupted operations, forcing the business houses to revise their outsourcing strategies especially in offshore locations in Asian countries. This situation causes drastic shifts in the existing business model of outsourcing. The reconstruction of call centres and other back-office operations in Indian BPO sector are now of the utmost versatility and will be the issue in the next few years instead of being cut off. The stirring disruptions and changes are contributing to a reshaping and reversing globalization, which poses a significant long-term danger due to the COVID 19 pandemic event. Outsourcing industry in India is one of the world's most successful industry and is the most troubled to see a continuous upsurge in attrition. The study has found that the disparity in the pay hike is one of main reason for the attrition in Indian BPO industry and hence, this internal issue has to be addressed with due importance. In addition to this, it is noted that a good career growth opportunity, training programmes and empathic view by the immediate superior are found to be an important factor that would help to minimize the attrition rate in this sector.

It is also noticed that the post-pandemic situation will bring the globe to the normal life where significance and prominence as the social differential expectations become more constant and part of an evolving society. Companies in corporate divisions aiming to minimize their staff density would be forced to outsource their operations. Unlike earlier, however, this will introduce the livelihood of on shoring compared with off shoring. Hence, in forthcoming days, there will be a greatest chance to focus on the attrition issues and find the ways overcome the attrition problem in this Industry. To overcome the attrition issues, it is necessary to create employee career plans, keep them learning and growth going, initiate mentorship and higher training programmes. In the ways to retain the existing staff member it is found that the immediate supervisor is an important element for holding the business employee. Staff needs a boss who is good at

handling them. A manager is expected to be a good listener and encourager and hence, the managers should also undergo an appropriate training. It's a manager duty to provide good training and make them to stay in the company. Staff appreciation like The star of the month, the best artist, portrait on boards of newsletters, cards of gratitude, awards, etc. are some of best way to retain their employees and reduce the attrition rate in Indian BPO industry.

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