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AN EMPIRICAL INVESTIGATION ON FACTORS THAT INFLUENCE THE EMPLOYEE ATTRITION OF IT SMES IN MADURAI

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Abstract:-The purpose of this research paper is to initially investigate the intrinsic factors that affect the employee attrition of SMEs of IT companies in Madurai. The in-depth interview and deeper discussion with the employees of this region and opinion from expects were asked for basic problem face by employee attrition in their companies. The primary data were collected to probe the generic tendency of how they rate their problems. The mean score of the opinion on their rating of the problem and the ANOVA indicates that the problem related to factor affect the employee attrition (or turnover) represents significant costs to most organizations. It is odd, therefore, that many organizations neither measure such costs nor have targets or plans to reduce them. In this paper, we have made an endeavor to highlight attrition issue faced by IT industry. We try to find out the various reasons for this problem, and have proposed some ways in which this issue can be addressed.

Keywords: Employee Attrition, Retention, Turnover,

INTRODUCTION :-

A human capital is the real asset for any organization. All other resources in the organization are used and utilized by the human resources of the organization. It is generally told human resources are the best resource. So every organization has to protect their employees and their talent in effectively.

In the best of worlds, employees would love their jobs, like their co-workers, work hard for their work, and have chances for advancement and flexible schedules so they could attend to personal or family needs when necessary. And never leave.

If the organizations failed to satisfy their employees expectation or the employees are dissatisfy with their working conditions, salary, career growth, work pressure, job satisfaction and other facilities. This will lead the employees to switch their job to competitive companies.

Rapid job switches among employees are increasing the attrition rate in the organization. It will affect the turnover of the companies.

BACKGROUND OF ARTICLE

The literatures on constraints to Organizations are formed with the aim of achieving a particular purpose, whose achievement will lead to realization of the organization vision. A vision describes the intent of the formation and sustenance of an organization. The vision cannot be realized in general; therefore the means of realizing the vision is in form of objectives which are carefully crafted and defined. The objectives are assigned resources in form of individuals, materials and finances in pursuit of realizing the main vision within the specified time frame. The smooth running and success of an organization can be ensured through an appropriate management of the three resources. This study specifically focuses on the effective management of the human resources in an organization in pursuit of organizational success. In order to ensure effective human resource management, an organization should develop a tool that governs human resource practices which serves as a reference point when decisions are being made about the people who are employed in the organization. This tool is known as HR policies.

HR policies therefore refer to guidelines of the approach the organization intends to adopt in managing its people on

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various aspects of employment. Every organization should have a set of employee policies that ensures the employees are treated fairly, equitably and consistently as well as in recognition of legal mandates throughout the organization. Some organizations, however, have HR policies that only exist as a formality in that, the employees are either not aware of existence of HR policies or the management does not apply the HR policies at all. The HR policies should be in line with the values and goals of each organization and they should be used to inform and guide day to day human resource decisions.

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

In the best of worlds, employees would love their jobs, like their co-workers, work hard for their employers, get paid well for their work, have ample chances for the advancement, and the flexible schedules so they could attend to personal or family needs as and when necessary. But then there's the real world. And in the real world, employees, do leave, either because they want more money, hate their co workers, want a change or because their spouse gets a dream job in another state. So, what does the entire turnover cost? And what employees are likely to have the highest turnover? Who is likely to stay the longest?
Information Technology as an industry is very dynamic, lots of staunch competitors in the same field. IT as an industry is segmented into Global Consulting or Product Development companies. With the increased offshore projects hitting, a lot of technological companies are trying to acquire as many projects as possible. Lots of Projects coming to INDIA, due to cheap labour and professional excellence proved. If you compare the increasing demand for the IT professionals and the jobs that need to be offshore in India, there is a huge dissonance in the demand and the supply. Naturally acquiring talents become difficult in such a situation. Since the inflow of fresh talent is relatively less, the same professionals in the market keep moving from one company to another.

ATTRITION RATE

Attrition rate can be defined as the rate of shrinkage in size or number of the workforce of an organization. A formula had to be devised keeping in view the nature of the business and different job functions. Attrition rates can be calculated using a simple formula:

Attrition = (No. of employees who left in the year / average employees in the year) x 100
Besides this, there are various other types of attrition that should be taken into account. These are:

Fresher attrition that tells the number of fresher's who left the organization within one year.
Critical resource attrition which tell the attrition in terms of key personnel like senior executives leaving the organization.
Low performance attrition: It tells the attrition of those who left due to poor performance.

MAIN CAUSES OF ATTRITION

JOB SATISFACTION

Employees seek a job, which offers them stratosphere level of responsibility and high growth of trajectory. If the organizations donot deliver on these expectations, employ exodus cannot be contained.

SALARY AND PERKS

There may be any number of reasons as to why an employee leaves and one of the major facts is the money. Nowadays companies have started wooing the best of the talents with mind boggling salary levels and attractive designations.

WORK ENVIRONMENT

An employee may leave an organization if the fairness of the system does not inspire his/her confidence. Organizations, which pay scant regards towards employee safety and care, will also have to face the mounting attrition levels.

PRESSURE OF WORK

Companies in their zeal to squeeze out every little ounce of productivity from their employees and further increase profitability may opt for less number of employees. In such situation employees will be constrained to rethink their priorities and join an organization that promises a relaxed piece of work.

RELATIONSHIP WITH SUPERVISORS AND CO-WORKERS

If the supervisor lacks confidence, empathy and trust in employees, they will fail to command the respect of the sub-

ordinates. Similarly lack of cordial relationship with co-workers will also cause high rate of attrition.

MISCELLANEOUS

In addition to all the above factors some of the other causes of attrition can be health condition of the person, geographical location and competency in the working environment.

COSTS INVOLVED WITH THE TERM "ATTRITION"

A. Recruitment cost

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

Training materials
Technology
Employee benefits
Trainers' Time

C. Administration cost

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

D. Lost Productivity Costs

As the new employee is learning the new job, the company policies and practices, etc. they are not fully productive. Use the following guidelines to calculate the cost of this lost productivity:

1. Cost of co-workers and supervisory lost productivity due to their time spent on bringing the new employee "up to speed."
2. Cost of mistakes the new employee makes during this elongated indoctrination period.

E. New Hire Costs

1. Cost of bring the new person on board including the cost to put the person on the payroll, establish computer and security passwords and identification cards, business cards, internal and external publicity announcements, telephone hook ups, cost of establishing email accounts, costs of establishing credit card accounts, or leasing other equipment such as cell phones, automobiles.

Approach of the study

To achieve the objectives of the study a sample of 56 employees was chosen. The study included a survey of these 56 employees to investigate into problems and evaluate the cost incurred in employee attrition. The study was conducted in Madurai region. This was chosen because it is the commercial heart of the state for SME in varied Industry. The primary data was used for the study. Primary data were collected by direct interview method with the help of a questionnaire for self-guidance.

Findings and analysis

The employees in our sample study are involved in SMEs. The industries that have grown up in importance in the IT sector in the recent years from the study regions. The very commonly factors are Salary, Benefits, Job content, Opportunity for development, Relationship with Supervisor, Relationship with peers, Location of workplace, Management Polices, Work culture, Resources to do the job, Promotion, Brand, Job Satisfaction and Work Pressure. The problems were asked to rate in

seven point scale based on the strength of the importances that have to be addressed. The (Table 1) result indicates that the major problems for them are frequent Job content, Salary, Relationship with peers, Job Satisfaction and Work Pressure s. All other problems do not have much discriminating issue. The survey was taken across various of IT industry. The problems perceived by various industries are similar which is proven by anova (Table 2) which indicates that all the p values are above 0.05 level.

Table 1. Descriptive details

Problems	Mean Value
Benefit	4.88
Salary	5.63
Job content	5.88
Opportunity for development	4.91
Relationship with Supervisor	4.88
Relationship with peers	5.79
Location of workplace	4.89
Management Polices	4.89
Work culture	4.91
Resources to do the job	4.84
Promotion	4.88
Brand	4.91
Job Satisfaction	5.09
Work Pressure	4.95

Table 2 . ANOVA indicates the differences of mean among various types of Industry

		Sum of Squares	df	Mean Square	F	Sig.
Salary	Between Groups	1.983	5	0.397	0.476	0.793
	Within Groups	40.854	49	0.834		
	Total	42.836	54			
Benefits	Between Groups	5.079	5	1.016	1.002	0.426
	Within Groups	49.649	49	1.013		
	Total	54.727	54			
Job Content	Between Groups	0.87	5	0.174	0.237	0.944
	Within Groups	35.967	49	0.734		
	Total	36.836	54			
Opportunity for development	Between Groups	4.305	5	0.861	1.435	0.229
	Within Groups	29.404	49	0.6		
	Total	33.709	54			
Relationship with Supervisor	Between Groups	1.906	5	0.381	0.489	0.783
	Within Groups	38.203	49	0.78		
	Total	40.109	54			
Relationship with Peers	Between Groups	2.233	5	0.447	0.589	0.708
	Within Groups	37.149	49	0.758		
	Total	39.382	54			
Location of workplace	Between Groups	1.479	5	0.296	0.371	0.866
	Within Groups	39.066	49	0.797		
	Total	40.545	54			
Management Polices	Between Groups	3.308	5	0.662	1.079	0.384
	Within Groups	30.038	49	0.613		
	Total	33.345	54			
Work culture	Between Groups	3.013	5	0.603	0.726	0.608
	Within Groups	40.696	49	0.831		
	Total	43.709	54			
Resources to do the job	Between Groups	3.532	5	0.706	0.962	0.45
	Within Groups	35.996	49	0.735		
	Total	39.527	54			
Promotion	Between Groups	3.37	5	0.674	0.899	0.489
	Within Groups	36.74	49	0.75		
	Total	40.109	54			
Brand	Between Groups	0.978	5	0.196	0.25	0.938
	Within Groups	38.368	49	0.783		
	Total	39.345	54			
Job Satisfaction,	Between Groups	3.475	5	0.695	0.806	0.551
	Within Groups	42.234	49	0.862		
	Total	45.709	54			
Work Pressure	Between Groups	3.269	5	0.654	0.879	0.502
	Within Groups	36.441	49	0.744		
	Total	39.709	54			

Best Practices for Industries

Induction process needs to be more effective and interesting. Employee expectations should not be raised too high
Provide 360 degree feedback. Online appraisal system (FAIR) needs to be more effective and fair
Recognize employees for good performance- MLP (managerial leadership program) and ELP (employee leadership program) are to evaluate potential, but instead they should be performance based
Mentoring programs, on-line personal assessments
Invest in training and development- programs should be frequently conducted and customized to needs of employees- Competency Mapping.
Fresh graduates should be provided sufficient amount of training before job is assigned to them.

Salary and Benefits

Adopt pay-banding- competitive with market rates
Standardized compensation for all business units (esp. within the same center) and fair pay.
Higher base pay raise on performance- presently it's a meager amount of a few hundreds

CONCLUSION

Study of HR practices and employees attrition in the organization was a great learning experience. It helped in understanding the intricacies of HR role in an organization. The study helped in finding out the most critical reason responsible for employee attrition in the organization. It brought various concerns of the employees to forefront. Apart from the project there was also a lot of on – the –job training which helped enhance HR skills and gain a better understanding of the functioning of HR. it was an effective learning in combing the theoretical and practical aspect relating to project. There has been immense learning in the field of employee retention. The basics about attrition and retention, attrition calculation, cost of attrition, consequences of high attrition rate and reasons for attrition.

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