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A Study on Employee Attrition: Effects and Causes

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Abstract: Employees are the most valuable assets of an organization. It is they who add value to the organization in terms of quantity and quality as well. Therefore, it is indispensable to maintain a permanent and promising workforce; which over the years has become a tough task for employers and thereby increased attrition in the organizations. This research paper is an attempt to find out the causes of attrition from different dimensions. It undertakes the effect of the same on employer and employee both. Following this, some strange reasons for attrition have been discussed in this regard. The positive side of attrition has also been discussed upon. Role of leadership styles in controlling attrition has been undertaken in the paper. Further, the remedial measures have been discussed herein.

Keywords: Attrition, employee, employer, leadership, management, productivity, retention, organization.

1. Introduction

In recent years, the employer and employee both have lost belief in each other. The former feels that employee can leave the organization anytime and the latter apprehends that he or she can be expelled anytime by the former one. Whosoever is responsible, irrespective of this; loss of workforce is inevitable. This loss of workforce for any reason is called attrition. 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. Therefore, there arises a need to delve into this multi-dimensional problem and come out with feasible solutions.

2. Literature survey

Denver and McMahon (1992) define labour turnover as "the movement of people into and out of employment within an organization" while Mobley (1982) defines turnover as "voluntary cessation of membership in an organization by an individual who receives monetary compensation for participating in that organization". Forbes (1971) states that labour turnover means separation from an organization and included promotion, transfer or any other internal movement within the institution. Meaghan et al. (2002) draw attention to controlling attrition; he states that the value of employees to an organization is a very crucial element in the success of the organization. He further states that this value is intangible and cannot easily be replicated, therefore, the managers should control attrition, Mobley (1977) suggests a measure to predict attrition, he says that tenure of an employee is one of the best measures that can be used to predict turnover. Firth et al (2007) try to find out the causes of attrition, he says that there is a range of factors that lead to job-related stress, lack of commitment towards the organization and job dissatisfaction which cause employees to quit. Griffeth et al. (2000) conclude that pay and pay-related variables have a significant effect on employee turnover. Hom & Griffeth (1995) state that several investigations in the past have revealed that organizational commitment and job satisfaction are crucial factors that influence turnover intention. Wanous (1992) focuses on new employee attrition and says that new employees often leave the organization because their expectations are not met which results in a violation of their psychological contract resulting in a turnover. Abassi et al (2000) conclude that there are other factors like inefficient and poor recruitment practices, style of management, lack of recognition, workplace conditions, and a lack of competitive compensation system that cause employees to quit the organization. Louis (1980) states that attrition takes place because new employees compare their actual experience with their past work experiences. Past work experience plays a significant role in taking the decision to quit in case the new worker"s expectations are not met. Ongori (2007) focuses on stress as a cause of attrition; he says that the good workers in an organization may tend to leave when they start experiencing signs of occupational stress. This turnover affects the organization adversely in increasing the recruitment and selection costs of the organization.

3. Kinds of attrition

A. Voluntary attrition

Voluntary attrition takes place when the employee leaves the organization by their own will. Pull factors like higher emoluments elsewhere, better opportunities for growth and promotion etc. are responsible for this kind of attrition.

B. Involuntary attrition

Involuntary attrition takes place when the employees leave the organizations due to some negative forces or push factors

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like faulty promotion policy, biased performance appraisal etc.

C. 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 place due to attaining the age of retirement, completion of tenure etc.

D. Natural attrition

It takes place due to the causes and factors that are beyond the control of the individual and organization as well. These factors may include end of life, insanity etc.

4. Causes of attrition

A. Internal causes

These causes are pertaining to the internal environment of an organization. Therefore, they are controllable.
1) *Salary*
   - Insufficient salary
   - Delay in payment
   - No / delayed increment
   - Wage compression
2) *Promotion*
   - Biased promotion
   - No / delayed promotion
3) *Transfer*
   - Forceful transfer
   - Transfer to a placed employee is not willing to go
4) *Workplace Infrastructure & amenities*
   - lack of hygiene
   - lack of basic facilities like water, canteen, etc.
5) *Task*
   - Monotony of task
   - Task – labour mismatch
   - Team issues
   - Lesser job autonomy

B. Instability in leadership

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

C. Lack of Flexibility

   - Lack of flexibility in timing, choice of task etc.
   - Introduction of new technology and employee's incompetency/ unwillingness to learn and understand.

D. Lack of job security

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

E. 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,
   - better pay
   - chances of promotion
   - better perks and
   - more fringe benefits in other organizations

F. Individual/Personal causes

   - end of life
   - marriage
   - pregnancy
   - shift of family
   - mental imbalance
   - over – sensitivity
   - wish to go abroad
   - attrition of the group members
   - Self-employment
   - Education

5. Some peculiar reasons

A. Attrition and Employee Stock Option Plan (ESOP)

A peculiar paradox has been observed in case of ESOP as a motivational tool and the attrition rate. Generally it is perceived that ESOP, on one hand, generates funds for the organization and on the other hand, it may curb attrition rate as it increases participation of employees in management, increase in their financial resources and satiation of their esteem needs as well which will ultimately lead to their long- term commitment with the organization.

However, while considering an altogether different perspective, ESOP may increase the rate of attrition as the earning from ESOP may be sufficient for the livelihood of the employee or it may sometimes exceed his income leading to his disinterest to continue the job.

B. Attrition and perception about growth opportunities

1) *Employer's perception and presumptions*
Employers may have a perception that employees are already well aware of their growth and career opportunities in the organization or they may perceive that the old staff will convey the things to the new one. But actually the new workers may not be aware of these things, further, they can be misguided and misled by their colleagues.

C. Employee's perception

Employees may have a perception that
   - Employers may get annoyed if they are asked about the career opportunities in the organization
   - Employers may take it negatively which may be detrimental to job security, increment and promotion etc.

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- If there are growth opportunities, employers will themselves convey the same and their silence means there is no scope of growth in the organization.

6. Effects of attrition

A. Effect on employer/ Organization

- Loss of productivity
- Loss of quality

B. Increase in cost

Attrition results in an increase in costs. These costs may be related to the cost of the exit interview.

1) Cost of staffing

Cost of travelling allowance, refreshment, experts, placement companies.

2) Cost of Training

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

3) Cost of administrative proceedings

Cost of issuing I – cards, access cards.

4) Cost of signing bonus

It is given to the works for joining the organization; it is also a significant part of the 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

7. Effect on employee

- Stress from a new job
- Monetary loss
- Effect on career
- Effect on family life
- Loss of skill- if the gap between quitting from one organization to other is long
- Emotional loss, if the bonding with the staff of the previous organization was good

However, it is also possible that the employee gets a better environment and remuneration in the new organization and the things can get positive for him.

Can Attrition Have Positive Effect On the Organization?

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

1. *Advantages of new knowledge:* New employees bring new knowledge; their knowledge and skill may open new avenues for the organization.
2. *Advantage of new technology:* It will decrease the cost, thus the price of the final goods or service will be cheaper; further leading to an increase in demand and profits.
3. *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.
4. *The lesser negative impact of groupism:* Sometimes the existing groups may be rigid or the group members may be reluctant towards others, in such case attrition of a group member may be positive for the organization.
5. *Reduction in surplus staff:* It will lead to a reduction in the cost of maintaining the surplus employees ultimately leading to the total cost.
6. *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.
7. *Creation of a healthy and competitive environment in the organization:* The new workforce may be more competitive, old employees may learn from them. They may get inspired and compete with them.
8. *Measures to Control Attrition / Retention Strategies Corporate Social Responsibility (CSR) towards employees:* It comprises a wide range of intrinsic and extrinsic rewards and motivation. It is concerned with a humanitarian aspect towards the employees of the organization. It is the first and foremost responsibility of an organization to take care of its employees" physical and mental wellbeing. CSR towards employees encompasses all monetary and non- monetary aspects. A monetary aspect includes reasonable remuneration, bonus, increment, HRA, post-retirement pension, etc. while the non- monetary aspect may include the congenial environment, fair performance appraisal, recreational activities, learning and development. Both these aspects are equally important while considering control on attrition.
9. *Herzberg's Two Factor Theory, CSR towards Employees & Attrition:* Hertzberg Two-factor theory describes two factors (Herzberg, Fredrick 1968).

A. Motivators

These factors are related to the intrinsic aspect of the job itself, such as recognition, achievement, personal growth etc.

B. Hygiene factors

These factors are related to the extrinsic aspect of the job such as salary, fringe benefits, work conditions, status, job security etc.

Hygiene factors are essentials, they do not show a direct contribution to productivity but their absence certainly leads to a decrease in production.

Motivators have a positive correlation with productivity; their presence results in an increase in productivity and their absence leads to a fall in the same. Thus both these factors should be paid attention to boost the morale of the workers leading to lesser attrition as morale and attrition have an inverse relationship i.e. Higher the morale, lesser will be the attrition and vice-versa.

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Applying Emotional Intelligence: Emotional intelligence refers to the ability and capacity to know and control own emotions and that of others in such a manner that the energies and potentials may be channelized in a positive direction and utilized to enhance productivity. To develop emotional intelligence one has to develop empathy and farsightedness. Following are some ways to apply emotional intelligence to control attrition

- Being proactive
- Lessening communication gap between management and workers
- Devising and communicating career and growth opportunities
- Using intrinsic motivation
- Understanding group dynamics
- Conducting motivational sessions for the employees
- Praising the employee publically but criticizing privately
- Developing a rapport with the workers

Change in leadership style: Leadership can play a significant role in controlling attrition. With the change in organizational dynamics, the style of leadership should also change. One of the much-lauded styles is transformational leadership. Bass & Avolio (1993) state that transformational leadership comprises of the four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Such leadership helps the employees in finding out their hidden talent and latent skills. They come to know about their strengths and the scope to enhance them. This acts as an undercurrent in unleashing their energies with full faith in their capabilities resulting in a passion for work, greater connectivity with the organization and its goals and control on the tendency of the workers to leave the organization.

Holistic leadership inculcates a natural sensitivity and empathy towards employees which will significantly increase the belongingness of employees towards the organization. Such leadership will infuse an environment of care and sympathy in organizational relations and ease in working. This will further lead to a decrease in attrition.

Goleman (2001) states about six leadership styles; they are commanding, visionary, affiliative, democratic, pacesetting and coaching leadership style. Out of these six, affiliative leadership, according to Goleman, creates harmony in relations and builds emotional bonds while democratic leadership promotes employees participation in decision making. Both these styles boost the relatedness, belongingness and cohesion in relations which is helpful in decreasing attrition.

Leaders should recognize, promote and praise hard work; employees should be given due credit and compliments. Leaders should be open to discussions and have a welcoming attitude towards the suggestions of the workers. First, they should understand and accept the value of employees and then make the employees feel that they are valuable to the organization; this will bring more openness, harmony, trust in relations. All these factors will be helpful to control attrition.

Flexibility: Flexibility is necessary for a greater degree of co-ordination, ease and smoothness in the organizational working. It is the demand of time as in the present context it has become very difficult to manage talent. Undue strictness and rigidity are no more considered the obvious right of the employer. Flexibility can be related to the following factors

- Time
- Choice of task
- Transfer
- Targets
- Leaves
- Methods
- Place of work in the organization
- Number of breaks

Conducting a stress interview- Exit interviews become instrumental in assessing the level of satisfaction or dissatisfaction of the employee. It should be well planned and questions should be well-f framed. It should focus on the issues like,

- work environment
- Organizational culture
- Peer group
- Senior- subordinate relationship
- Performance appraisal
- Individual growth

In this regard, the following factors should be taken care of

- Questions should be open-ended
- Utmost confidentiality should be maintained
- The process should not be lengthy

Other measures

- Workers" participation in management
- Profit-sharing
- Gainsharing
- Fair performance appraisal
- Realistic goals
- Defining career path and demystifying career growth-proper succession planning
- Effective communication system

8. Conclusion

- Attrition is inevitable; it will always prevail; it can only be minimized.
- Intrinsic factors are equally and sometimes more important than extrinsic factors while controlling attrition.
- Effective leadership; to a great extent, may be helpful to control attrition.
- Attrition does not always have a negative impact on the organization.

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9. Suggestions for the future researches

- Global recession and attrition can be taken as an issue for discussion and research.
- Attrition and women labour force can be studied and undertaken as a topic for research.
- Attrition in salesforce can be taken as a vibrant topic for future researches.

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