CHAPTER I

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Human capital is the most crucial resource on which the Information Technology (IT) and Information Technology Enabled Services (ITES) depends. Apart from the location advantage that India has, the factor for the country's immense success in the overseas markets, is its abundant and cost effective human capital which is one of the key assets that has kept India sustain its edge in the ITES sector. Human Resource (HR) professionals all over the world, working in Call-Centre or Contact Centre or business process outsourcing (BPO) industry are leaving no stone unturned to formulate strategies to retain human capital, but in spite of all their trials the average attrition rate in the BPO this sector is still very high.

HUMAN RESOURCE CHALLENGE IN BUSINESS PROCESS OUTSOURCING INDUSTRY

The greatest HR challenge facing globally distributed back-office and customer care centres is the retention of talented employees. Interviewees described attrition rates ranging from 15 to 40 percent in particularly active labour markets within countries such as India. While some attrition in this industry is expected and may be beneficial, firms are concerned about not recouping their upfront investments in people. Clearly, employee retention is
being influenced by a number of factors. The demand for experienced individuals, particularly at the supervisory level, is prompting firms to use signing bonuses and salary increases to entice talented individuals to switch firms. Also, these back-office and customer care centres – particularly those that are focused on working directly with customers – are often high-pressure, stressful environments. Contact centres are often required to meet fairly stringent service level agreements regarding expected call volumes and average call length. These expectations cascade down to employees, and, as a result, many front-line workers face extremely demanding workloads. Given these conditions, many workers opt to leave the company soon after the firm has invested in their recruitment and training (Taylor and Bain, 2005).\(^1\)

**CAUSES FOR ATTRITION**

The reason for the high rate of attrition in the BPO sector particularly call centre segment range from lack of comfort of enrichment potential in terms of career growth. The growth of BPO industry is mainly depending on the cost effectiveness and quality of the manpower. Attrition is not a new problem and it has existed earlier and will continue to exist in any industry. In spite of the salaries and facilities being high, especially for a graduate who starts his / her career with a BPO company the average attrition rate is very high in this industry. There are numerous reasons for the attrition to be high which can be categorized into two broad classifications. The first can be called as “\textbf{Drive}
Attrition” which is caused due to the employer; the second one can be termed as “Drag Attrition” which is caused due to the employee.

The reasons for ‘Drive Attrition’ are due to employer’s policy / policies of terminating the employee at the end of the contract period for employment. Also the quality policy of the BPO companies guides them to retain only the most productive employee and hence makes them to terminate employee at regular intervals. A BPO company operates 24 hours a day and 365 days a year. Untimely shifts which suit the foreign clients create lot of problems to the employees. Symptoms of insomnia and even depression are caused due to change of 24-hour biological rhythm of the body, and also, loss of employee’s personal life and hence, ‘Drive Attrition’ rate shoots up (Misra, 2007).²

The companies do not have a particular day as weekly off for its employees. The employees are not even entitled for national holidays declared by Government of India, as the company works with client calendar. The call agents can avail leave (which should not affect the schedule) only with prior consent, and any unauthorized absence is a sufficient reason for terminating an employee. ‘Drag Attrition’ is basically due to the host of insecurities and vulnerabilities associated with the taking up a career with a BPO company. They are:

No Career Prospects

The job of a call centre agent can be compared to a telemarketing or a telephone operator. Hence the scope to take up any other job or change of
field is ruled out, as the experience gained in a call centre will not be of any importance. Many others quit, as the chance to climb up the corporate ladder is bleak. Only a very few get promoted to the cadre of team leader and as soon as promotions are announced, many frustrated employees quit.

**Lack of Creativity**

The work in the BPO company needs no new creativity which can add to the enthusiasm of the employee. Voice calls are the only thing which governs the activity of the BPO. Further, BPO company work does not provide any scope for skill up gradation for the employee. The employer trains the employee to speak good English and nothing else which adds to the ‘Drive Attrition’ rate.

**Monotony of work**

The job remains same as to call clients and talk business. Same kind of lines repeated in the calls from the login point to logout point. Employees are bored of the same talks all through their working hours which lead to mental fatigue (Prakash and Chowdhury, 2010).³

**Stressful Job**

Also the nature of job in a typical BPO company is psychologically very stressful. The working hours are artificially created which affect the natural rhythm of human body. The symptoms of chronic fatigue, gastrointestinal problems, peptic ulcer, and insomnia can be attributed to the nature of working.
The daily targets fixed to achieve push employees to work harder and harder leading to stress.

**Switching jobs for high salaries**

Poaching of employees by other competitive BPOs for higher salaries drives them to change jobs. The employees expect salary revision once in 4-6 months and if not they move to other organizations because of the rapid growth of the industry. Sometimes, personal reasons like marriage can also lead to attrition.

**Drive towards Higher Education**

Most of the employees with professional degrees like BE, MCA and others appear for higher education or grooming them, for highly specialized courses quickly move out (BPO India, 2004).

**HUMAN RESOURCE STRATEGIES TO CONTROL ATTRITION RATE**

Companies have different kinds of strategies adopted to tackle the problem of retaining human capital. It ranges from cash incentives to career concern for the employee. As only 5 out of 150 employees become team leaders in a year, companies believe that cash incentives are a great way to get employees to stay on. They also offer management diplomas and MBA courses to their employees, as most fresh graduates want to study further.

**Group Medi-claim and Personal Accident Insurance Scheme;** This scheme is to provide adequate insurance coverage for hospitalization expenses arising
out of injuries sustained in an accident. This covers total / partial disablement / death due to accident and due to accidents.

**Subsidized Food and Transportation**: BPOs provide transportation facility to all the employees from home till office at subsidized rates or even at zero cost. Lunch is also provided free of cost.

**Company Leased Accommodation**: Some of the companies provide shared accommodation for all the outstation employees.

**Recreation, Cafeteria, ATM and Gym facilities**: The recreation facilities include pool tables, chess tables and coffee bars. BPO companies also have well equipped gyms, personal trainers and showers at facilities.

**Personal Health Care**: Some of the BPOs provide the facility for extensive health check-up. For employees with above 40 years of age, the medical check-up are given once in a year.

**Loans**: BPO companies provide loan facility on different occasions like medical emergency, wedding, also new recruits are provided with interest free loans to assist them in their initial settlement at the work location.

**Giving employees a choice of rewards**: Rewards are as different as the people who receive them and it doesn't make sense to give rewards that recipients do not find rewarding. Some people are excited about sports events, others about movies.
**Performance Incentives:** Bonuses and incentives are paid after every quarter if the employee sustains in the organization and he gets extra rewards if his performance exceeds the target assigned to him.

**Recruitment Strategies:** The recruitment manager keeps on innovating new techniques to hire the best people and the strategies are continuously renewed as per the changing scenario. Considering the high attrition rates the organization plans a very effective policy at the entry level (recruitment) which ultimately helps in sustaining human resource for the benefit of the organization (Joshi, 2004).

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**IT AND ITES SECTOR IN INDIA**

India is the hottest destination for any company that wants to outsource its business processes. From a negligible size in early 2000 to a gigantic size today, the BPO sector has been growing at an unprecedented rate. In 2003, India accounted for 75 percent of the total BPO offshore delivery value that was expected to increase by 55 percent annually over the next five years (Neale, 2004). India’s revenue from BPO operations has grown from approximately $1 billion in 2002 to $32 billion in 2013 and its share of supply from around 10 per cent to 57 percent of the offshore BPO market in the same period. According to National Association of Software and Services Companies (NASSCOM), the Indian IT-BPO industry (including domestic market) recorded an overall growth of 28 per cent (currency adjusted), clocking revenues of $108 billion in 2012-13 up from $39.6 billion in 2006-07. The year 2008 was a
year of revolution for the Indian IT – BPO sector, as it began to re-engineer challenges posed by macroeconomic environment, with the worldwide spending aggregate has reached $1.6 trillion, a growth of 5.6 per cent over the previous year. The domestic market has grown higher than that of the foreign market in 2012-13 compared to the previous year, while IT and ITES export has grown by around 10 per cent in 2012-13 (NASSCOM, 2013).  

Employment Trends

The IT/ITES sector has led to employment opportunities, both direct and indirect, of nearly 2.8 million and around 8.9 million respectively. This growth is expected to increase to more than 14 million (direct and indirect) by 2015 and to around 30 million by 2030. The market size of the industry is expected to rise to $225 billion by 2020 considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint. IT/ITES industry has led India's economic growth and this sector's contribution to the gross domestic product (GDP) has risen from 1.2 per cent in 1997-98 to an estimated 7.5 per cent in 2011-12.

As per the Economic Survey 2013-14, the IT/ITES industries has added 7.96 lakh jobs in one year, in the period ending September 2013. According to NASSCOM, employee base in the rural areas is expected to increase by over 10 times by 2013-14, compared to 5000 in 2009-10. India is the most preferred destination for engineering offshoring, which are encouraging foreign companies to offshore complete product responsibility to Indian ITES
companies. Hyderabad is fast becoming the IT/ITES hub of India with new players hankering to get a foothold here, and existing players continuing to hire aggressively. Large companies such as Infosys, TCS, Genpact, Deloitte, Facebook, Bank of America, Thomson Reuters, Amazon, Google, Cognizant, Franklin Templeton among others, are growing their presence in the state. According to Andhra Pradesh Government's estimates, the total IT/ITES sector hiring for 2012-13 could be at about 50000 professionals (Government of India, 2014). 8

ATTRITION IN THE BUSINESS PROCESS OUTSOURCING INDUSTRY

It is also found that instead of revitalizing the organization, attrition created a phenomenon identified by Leonard Schlesinger and James Heskett as ‘the cycle of failure’ (Bleuel, 2006). 9 The cycle involves a chain of consequences beginning with employee dissatisfaction and ending with organizational inefficiency, poor service quality, high customer turnover and decreased profitability. An employee's leaving the organization happens typically in the first couple of weeks of joining. The reasons are many –high stress levels, monotonous nature of the job, demand supply disparity and lack of career growth potential on the professional front; loss of identity, mismatch with normal cycle, complete change of life style and lack of comfort on the personal front. Add to this, the 'poaching' strategy being adopted by the players in the industry. Referring to the typical nature of job, studies indicate that a BPO job to be monotonous, less skilled, less challenging etc. Some
researchers present a number of reasons why BPO work may be less skilled (Taylor and Bain, 2006). Indian centres are very large and have been designed to process high volumes of standardized information. Other researchers suggest that it is the ‘high volume, low value, routinized’ work associated with mass production that is most susceptible to outsourcing (Ofreneo et al, 2007). Attention is also drawn to other factors present in BPO that add to the picture of routine, de-skilled work (Batt et al, 2006). Apart from these reasons many other factors also attribute to attrition.

Attrition in BPOs has terrible effects on the organization. The high attrition costs increases the costs to the organization considerably. The voluntary turnover of desirable employees is generally considered detrimental to the organization both in replacement costs and work disruption (Addae et al, 2006). An employee’s intention to leave is an important antecedent to turnover and is a useful criterion because of its negative impact on the well being of the organization (Steel and Ovalle, 1984). Intent to leave an organization has gained much empirical and theoretical support as an important predictor of turnover (Tett and Meyer, 1993). They have to combat the amount of disruption due to unplanned exits. The more the people leave an organization, the more it is a drain on the company’s resources like recruitment expenses, training and orientation resources and the time. The high attrition rate also affects the productivity of the organization. Therefore, it is extremely
important to curb attrition not only for an individual firm but also for the industry as a whole.

PROBLEM OF THE STUDY

India has been one of the top most destinations as far as outsourcing of business activities is concerned. Many countries continue to outsource their business activities to India, through which the IT and ITES sector has been growing at a faster rate. It has attracted lakhs and lakhs of students to pursue education to get employment in this sector and thousands of them to in fact get employed year after year. The relatively higher level of salary being provided in this sector attracts thousands of young and fresh graduates to enter this sector, which is also the reason for the higher level of attrition. However, this higher level of attrition directly affects the BPO sector.

There is a dire need of reducing the problem of attrition in the BPO industry of India and ensuring long term retention of employees. Where attrition largely depends on the negative attributes of a BPO job like monotonous nature of job, unusual working hours, dearth of motivation, ineffective supervision etc; retention is all about the intrinsic factors associated with a job like self-esteem, participation, involvement, accountability etc. Tackling the reasons for attrition may help reduce the probability of quitting an organization by employees, but may not actually increase their willingness to sustain in the organization. For these reasons, the need for studying employee attrition and employee retention emerges. There is need to develop a concurrent strategic
method, an innovative development paradigm that can be utilized to curb the ever-increasing attrition rate in the BPO industry. Thus the need for this study can be clearly defined in two points. First, attrition is a burning problem for the promising industry of BPO, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources. Second, employee retention must be managed in such a robust manner that it ensures long term sustenance of employees in a BPO organization.

NEED FOR THE STUDY

The need for the study lies in the detonation of the BPO industry in the recent years. Where on one hand the sector is growing with leaps and bounds, on the other the employee turnover has been alarmingly high, thus costing a lot to the company. The middle level and low level employees are victims of dearth of motivation and employee satisfaction also seems to be brandishing. The study is an attempt to assess the patterns of attrition in BPO and analyze the relationship among employee motivation, job satisfaction and employee retention, so as to utilize employee motivation to retain employees in an organization. Thus, not only is it significant for academicians but also for professionals who can exploit it to control the employee turnover.

OBJECTIVES OF THE STUDY

The objectives of this thesis are:

1. To identify and rank the factors of attrition in BPOs based on secondary data;
2. To examine the demographic characteristics of the sample employees in the BPOs with the help of primary data;

3. To identify the factors influencing the level of attrition among the sample employees in the BPOs;

4. To explore and analyze the dimensions of attrition in BPOs based on primary data collected from field survey;

5. To identify and explore the dimensions of employee retention in BPOs based on primary data collected from field survey;

6. To develop a regression model for escalating the stay of employees in BPOs and give recommendations based on the model; and

7. To assess the existing level of employee motivation and validate the model by studying the impact of recommendations.

HYPOTHESES OF THE STUDY

The following hypotheses are framed in this study:

1. There is no significant difference in the factors influencing attrition among the sample respondents;

2. There is no significant variation in the dimensions of attrition among the sample respondents; and

3. There is no significant variation in the dimensions of retention among the sample respondents.
METHODOLOGY OF THE STUDY

The study has been done in two components. First is the identification and exploration of the causal agents of attrition in the BPO sector. This involves an exhaustive study of the personal characteristics of the respondents; exploring the factors behind attrition, and then comparing these factors across various personal characteristics. Second is the identification and exploration of the factors of retention of the workers in the BPO sector. This involves detecting the factors through field survey; comparing them across their personal characteristics; and developing a regression model. The model assesses the levels of employee motivation, their satisfaction, involvement, life interest and work compatibility among them before and after the recommendations; and the relationship between the perceived attitudes and employees’ willingness to stay.

This study aims to explore the dimensions of attrition holistically and produce a model for employee retention. To attain the aim of the research, the Hackman and Oldham’s Job Characteristics model was taken as the basic foundation (Hackman and Oldham, 1976). The authors proposed a Job Characteristics Model, which examines the manner in which particular job characteristics impact job outcomes, including job satisfaction. The model states that there are five core job characteristics (skill variety, task identity, task significance, autonomy, and feedback) which impact three critical psychological states (experienced meaningfulness, experienced responsibility for outcomes,
and knowledge of the actual results), in turn influencing work outcomes (job satisfaction, absenteeism, work motivation, etc). The Job Characteristics Model is modified by redefining job dimensions as growth prospects, accountability, sense of accomplishment, self-esteem, job security, interpersonal relationships, working conditions, and by extending organizational outcomes as satisfied, motivated, involved and retained employees.

Based on the Hackman and Oldham’s Job Characteristics Model and the modifications made to it, two separate research models for employee attrition and employee retention have been developed. These two models stand on the supposition that attrition and retention depend on two important variables: one is the ‘personal characteristics’ of an employee and the other is the ‘job characteristics’. The personal characteristics taken for the study are age, gender, marital status, education and tenure, while the job characteristics taken for the study include both extrinsic job factors as well as intrinsic factors.

Since, the general intent of this exploratory and analytical study is twofold, a systematic and organized methodology is obtained for the research study. First, a pilot study has been done on 50 BPO employees to understand the fundamentals of employee attrition and retention. Based on the findings of the pilot study, the objectives have been chalked out. A questionnaire has been designed to tap the demographic variables including age, education, gender, marital status, and tenure of the respondents. It also gathered information about the factors responsible for attrition, the factors that can be employed to
retain the employees in a BPO, their overall level of satisfaction, motivation, involvement and life interest and work compatibility. Besides gathering data through questionnaire, telephonic interviews have also been done with the respondents to improve the quality of the collected data.

**SAMPLING DESIGN**

In this study, simple random sampling method has been employed. In a simple random sample of a given size, all subsets of the frame are given an equal probability. This minimizes bias and simplifies analysis of results. In particular, the variance between individual results within the sample is a good indicator of variance in the overall population, which makes it relatively easy to estimate the accuracy of results.

In the first stage, however, Chennai city has been selected as the study area purposively, since all the top most BPO companies, both domestic and multi-national are operating here. In the second stage, 10 companies which are involved in the BPO activities have been randomly identified, which include both big and small players, which is expected to provide a normal distribution of the samples. In the third stage, in each of the sample BPOs, questionnaire has been given to 60 employees each and they include low and middle level employees, since the degree of attrition is quite high in these two segments. Thus, a total of 600 questionnaires have been distributed among the 10 sample BPOs. However, only 548 questionnaires could be received back, from which 500 fully completed questionnaires have been selected for the study.
TOOLS OF ANALYSIS

The collected data have been examined with the help of statistical tools like ratio analysis, charts, exhibits, descriptive statistics, t-test, F-test, ANOVA, Duncan’s Mean Test and multiple regression model.

LIMITATIONS OF THE STUDY

The present study examines the factors influencing the rate of attrition as well as retention among the BPO workers. The research study is limited to a few aspects. Firstly, the study has considered only limited variables while assessing attrition, retention, and other perceived attitudes of the employees. Secondly, measuring attitudes of respondents is quite subjective. Although great care was taken for precision, yet there may be certain gaps which need to be rectified. Thirdly, the model needs to be tested on a larger dataset. Although dozens of letters were sent out to companies asking whether they would be willing incorporate the recommendations and take part in the research, only a few small scale organizations agreed to do so. Perhaps many felt that the domain of attitudes like involvement, motivation and satisfaction of their workforce (or the lack of it) was a sensitive area and believed that it would reflect poorly on the organization. However, if more variables are taken into consideration, and if the questions used to measure the respondents’ attitudes toward work are re-evaluated and adjusted, a better result can be attained. Moreover, the respondents for the present study have been selected from the BPO companies which are located only in Chennai city. However, those which
are situated in other cities, the Tier-II cities could not be selected for want of time and money. Moreover, the opinions and information provided by the sample respondents are expected to be true and correct.

**PLAN OF THE STUDY**

This study consists of six chapters.

**Chapter one** provides the foreword about the BPO industry, the prevailing issue of attrition in the sector, the status of the IT and ITES sector in India. It also presents the problem of the study, its need, objectives, hypotheses, methodology, sampling design and its limitations.

The **second chapter** reviews the existing studies which have dealt with various issues of employee attrition and others in order to trace the research gap.

The **third chapter** deals with the status of the IT and ITES sector in India with the help of secondary data.

**Chapter four** deals with the analysis of identification and exploration of the dimensions of employee attrition in the BPO industry through secondary and primary data. This chapter also identifies the causal agents of attrition in the BPO industry through primary data collected from field survey.

The **fifth chapter** discusses the identification and exploration of dimensions of retention, working out on a regression model for retention and validation of the proposed model. It also analyses the perceived attitudes of the
employees, and also unfurls the relationship of these perceived attitudes with their personal characteristics and their willingness to stay in the company.

Chapter six presents the summary of the whole work, its findings, suggestions and conclusion.
REFERENCES


