CHAPTER- 3

RELATION BETWEEN RATE OF ATTRITION
AND PRODUCTIVITY

Introduction

The attrition rate is a very sensitive issue for all association of all sectors. Unabated level of attrition rate continues to be plaguing India.

Definition

“A reduction in the number of employees through retirement, resignation or death is called Attrition.” Attrition is also called total turnover or wastage rate.

“The rate of shrinkage in size or number of employees is known as Attrition rate. It is usually expressed in percentage.”

The rate of shrinkage in size or numbers, in another best of worlds, employees would love their jobs, like their co-employees, 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-employees, want a change or because their spouse gets a dream job in another state. So, what does the turnover cost? And which employees are likely to have the highest turnover? Who is likely to stay the longest?

Attrition is not bad always if it happens in a controlled manner. Some attrition is always desirable and necessary for organizational growth and development. The only concern is how organizations.
Relation between Rate of Attrition and Productivity

Attrition Rate

- Attrition: Number of employees who left in the year / average employees in the year x 100. Thus, if the company had 1,000 employees in April 2004, 2,000 in March 2005, and 300 quit in the year, then the average employee strength is 1,500 and attrition is 100 x (300/1500) = 20 percent. A graded system can probably depict the true picture.

- Fresher attrition: the number of fresher’s who left within one year. It tells you how many are using the company as a springboard.

- Infant mortality: percentage of people who left within one year. This indicates the ease with which people adapt to the company.

- Critical resource attrition: key men exit.

- Low performance attrition: those who left due to poor performance.

Using these formulae, organizations will learn what their real attrition figures are believes Noronha. "Like with most data, attrition too can be interpreted in different ways and it is up to each organization to decide how and what they wish to share. Companies are generally more concerned about regretted voluntary attrition. These are people who leave on their own will and those whom the organization would have loved to retain. Similarly, organizations measure managed attrition. These are people made redundant, laid-off or exited. Though managed attrition is non-regretted by the organization the trend of managed attrition, if on the higher side, may show the company in poor light, and does have an impact on its health."

Organizations aim to reduce voluntary attrition of productive employees and encourage unproductive staff to leave its fold. "It makes way for career progression, new thinking and innovation. However, what that number should be again differs from industry to industry and from country to country as economies vary. The demand vs. supply of talent/resources plays a critical role too. What is considered a healthy attrition number in an industry in India may not be so in a more stagnant economy where no new jobs are being created," explains Noronha. Nevertheless, zero attrition is unimaginable and unhealthy for any organization.
The term 'attrition rate' can be defined as "A reduction in the number of employees through retirement, resignation or death." It denotes the percentage change in the labor force of an organization. High percentage of labor turnover is not desirable for the organization because new employees are engaged in place of the employees who left the organization.

The high attrition rate in the IT industry has always been its greatest concern and a subject of much analysis and debate. Organizations use different methodologies for calculating their turnover rate. It is a known fact that turnover calculation is a grey area which does not always depict the true picture. While a few techniques are common, there are no proven theories. Further, the approach to this calculation might vary from organization to organization. Disclosure of the figure not only has a direct impact on the business but also affects employee morale and productivity. Significantly, it might also trigger a chain reaction—a high attrition rate will lead to more people leaving the organization while a lower rate will act as a retention strategy. It is therefore not surprising that most industry observers are skeptical when organizations ‘disclose’ their employee turnover.

"Ideally, attrition should be calculated on a monthly basis for companies that have over 50 employees for the first five years of its business. Subsequently, a quarterly index should be applied till a company's 10th anniversary. After this, annual attrition figures should be measured and accounted for. This is the optimum within the services industry as companies tend to have different challenges at different stages of their business lifecycle; also, maturity achieves stability around a company's 10th anniversary," opines Advani.

The attrition rate has always been a sensitive issue for all organization. Calculating employee’s turnover rate is not that simple as it seems to be. No formula can be used by all the organizations. A formula had to be devised keeping in view the nature of the business and different job function. Moreover, calculating attrition rate is not only about devising a mathematical formula. It also has to take into account the root of the problem by going back to the hiring stage.
Attrition rates can be calculated using a simple formula:

\[
\text{Attrition} = \frac{\text{No. of employees who left in the year}}{\text{average employees in the year}} \times 100
\]

**EMPLOYEE ATTRITION**

The recent decades the Indian industry has changed its outlook. The employment scene has changed its appearance. The factors like skill sets, job satisfaction drive the employment and not just the money. The employer hence faces the heat of continuous employee turnover. Continuous efforts are made by organizations to control the employee turnover rate as it directly affects the performance of the organization as many key people leave the organizations for various reasons at crucial points. This turnover is normally known as ATTRITION.

**REASON FOR EMPLOYEE ATTRITION:**

There are plenty of reasons for attrition

1) Job satisfaction  
2) Salary & Perks  
3) Work environment  
4) Co-employees relation/treatment  
5) Pressure of work  
6) Family situation  
7) Health condition  
8) Geographical location  
9) Competency
Types of Attrition
Differentiate “good attrition” from “bad attrition”.

**Good Attrition:** - Less productive employees voluntarily leaving the organization. This means if the one who have left the organization fall in the category of low performers, the attrition in considered being healthy or good attrition.

**Attrition rates can be beneficial in some ways:**
- When certain employees leave, whose continuation of service would have negatively impacted productivity and profitability of the company, the company is benefited.
If all employees stay in the same organization for a very long time, most of them will be at the top of their pay scale which will result in excessive manpower costs.

New employees bring new ideas, approaches, abilities & attitudes which can keep the organization from becoming stagnant.

Desirable attrition also includes termination of employees with whom the organization does not want to continue a relationship. It benefits the organization in the following ways:

- It removes bottleneck in the progress of the company
- It creates space for the entry of new talents
- It assists in evolving high performance teams
- Business pressures do not allow the management to over-reward the performers, but when undesirable employees leave the company, the good employees can be given the share that they deserve.

**Bad attrition:** In the performance analysis of the ones who have left, if the proportion of high performers leaving is higher, the attrition is bad attrition. Attrition in any form means that a wrong choice was made at the beginning while recruiting. Even good attrition indicates loss as recruitment is a time consuming and costly affair. In addition to the above two types, there are Market Driven Attrition, Workload or Stress Driven Attrition and Process Driven Attrition.

**Market Driven** – Based on the demand for a particular skill- The typical initial reaction by employers to market driven attrition is to increase wages, offer better benefits, escape the market by relocation or site migration or relax hiring standards.

**Workload or Stress Driven** – on the actual capacity to perform the work required. This is when there are not enough of the right people.

**Process Driven** - variables associated with job design and/or the organization. In some industries and organizations there is a belief that attrition has always been there and
Causes of Attrition

Employees do not leave an organization without any significant reason. There are certain circumstances that lead to their leaving the organization.

(a) **Opportunities:** The most obvious reason for employees leaving any organization.

(b) **Job or work place is not what employees expected:** Sometimes the job responsibilities don’t come out to be the same as expected by the candidates. Unexpected job responsibilities lead to job dissatisfaction.

(c) **Job & person mismatch:** A candidate may be fit to do a certain type of job which matches his personality. If he is given a job which mismatches his personality, then he won’t be able to perform it well and will try to find out reasons to leave the job.

(d) **Less growth opportunities:** No or less learning and growth opportunities in the current job will make candidate’s job and career stagnant. Only 20% of employees are able to go to senior levels. The remaining 80% of employees look for other organization where they can get opportunities for growth.

(e) **Lack of appreciation:** If the work is not appreciated by the supervisor, the employee feels de-motivated and loses interest in job.

(f) **Lack of trust and support in co-employees, seniors and management:** Trust is the most important factor that is required for an individual to stay in the job. Non-supportive co-employees, seniors and management can make office environment unfriendly and difficult to work in. When employees are happy with their superiors they choose to stay, if not they look for a switch.

(g) **Stress from overwork and work life imbalance:** Job stress can lead to work life imbalance which ultimately many times lead to employee leaving the organization. If employees feel stressed out due to the workload on them they tend to look for a change.
Relation between Rate of Attrition and Productivity

The major stress factors are:

- Work Timings > Repetitive Nature of Work
- Work Load > Irate Customers
- Travel Time > Long Working Hours
- Insufficient Breaks > Pressure to Perform
- Health Issues

(h) Compensation: Better compensation packages being offered by other companies may attract employees towards themselves.

(i) New job offer: An attractive job offer which an employee thinks is good for him with respect to job responsibility, compensation, growth and learning etc. can lead an employee to leave the organization.

(j) Plans for further studies: These days, in many organizations, employees are joining at very young age because of lucrative salaries being offered. But with time, they apply for higher education and try to move on to other organizations or sectors to occupy top positions.

(k) Women Employees: The percentage of women employees is very high, around 30%. Generally, women employees leave the organization after marriage to take up their house-hold duties, irregular work hour’s et al. Even when someone relocates with their spouse or partner, it comes outside the control of any employer.

Calculating Cost of Attrition

Costs are often broadly categorized as follows:

1. The cost of advertisements; agency costs; employee referral costs; internet posting costs.

2. The cost of the internal recruiter's time to understand the position requirements, develop and implement a sourcing strategy, review candidates backgrounds, prepare for interviews, conduct interviews, prepare candidate assessments, conduct reference checks, make the employment offer and notify unsuccessful candidates. This can range from a minimum of 30 hours to over 100 hours per position.
3. Calculate the cost of the various candidate pre-employment tests to help assess candidates' skills, abilities, aptitude, attitude, values and behaviors.

**Training and orientation costs** –
1. Calculate the cost of orientation in terms of the new person's salary and the cost of the person who conducts the orientation. Also include the cost of orientation materials.
2. Calculate the cost of departmental training as the actual development and delivery cost plus the cost of the salary of the new employee. Note that the cost will be significantly higher for some positions such as sales representatives and call center agents who require 4 - 6 weeks or more of classroom training.
3. Calculate the cost of the person(s) who conduct the training.
4. Calculate the cost of various training materials needed including company or product manuals, computer or other technology equipment used in the delivery of training.

**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. Upon completion of whatever training is provided, the employee is contributing at a 25% productivity level for the first 2 - 4 weeks. The cost therefore is 75% of the new employee’s full salary during that time period.
2. During weeks 5 - 12, the employee is contributing at a 50% productivity level. The cost is therefore 50% of full salary during that time period.
3. During weeks 13 - 20, the employee is contributing at a 75% productivity level. The cost is therefore 25% of full salary during that time period.
4. Calculate the cost of mistakes the new employee makes during this elongated indoctrination period.
New Hire Costs –

1. Calculate the cost of bringing the new person on board including the cost to put the person on the payroll, establish computer and security passwords and identification cards, telephone hookups, cost of establishing email accounts, or leasing other equipment such as cell phones, automobiles.

2. Calculate the cost of a manager's time spent developing trust and building confidence in the new employee's work.

Lost Sales Costs –

Calculate the revenue per employee by dividing total company revenue by the average number of employees in a given year. Whether an employee contributes directly or indirectly to the generation of revenue, their purpose is to provide some defined set of responsibilities that are necessary to the generation of revenue. Calculate the lost revenue by multiplying the number of weeks the position is vacant by the average weekly revenue per employee. Reduce loyalty and outright defections to competitors.

It is clear that there are massive costs associated with attrition or turnover and, while some of these are not visible to the management reporting or budget system, they are none the less real.

The approach to calculate attrition might vary from organization to organization. While a few techniques are common, there are no proven theories. The most commonly used formulae are:

\[
\text{Total Number of Resigns per month (Whether voluntary or forced) } \times 100 \\
\frac{(\text{Total Number of employees at the beginning of the month} + \text{total number of New joinees} - \text{total number of resignations})}{\text{Total Terminations in a month}}
\]

\[
\frac{(\text{Total Head Count at the beginning of the month}) + (\text{Total New Hires})}{\text{Total No. of employees present}}
\]

\[
\frac{\text{Total No. of employee left} \times 100}{\text{Total No. of employees present}}
\]
Relation between Rate of Attrition and Productivity

Number of employee separations-involuntary separations X 100

*Average employee count

(*Avg. employee count = January month strength + December month strength)

Types of attrition calculation

- Fresher attrition: the number of fresher’s who left within one year. It tells you how many are using the company as a springboard.
- Infant mortality: percentage of people who left within one year. This indicates the ease with which people adapt to the company.
- Critical resource attrition: key men exit
- Low performance attrition: those who left due to poor performance.

Need to Curb Employee Turnover / Attrition

There are massive costs associated with attrition or turnover and, while some of these are not visible to the management reporting or budget system, they are none the less real. The attrition rate is an indicator of many things intrinsic to the organization, and revealing it may affect it negatively. Attrition figure has direct impact on stock markets, employee morale and customer confidence. There is too much at stake.

Now is it just to reduce the turnover costs? It’s not only the cost incurred by a company that emphasizes the need of curbing employee turnover rates but also the need to retain talented employees from getting poached.

This curbing in turn will benefit the organization in the following way:

(i) **The Cost of Turnover** – The cost of employee turnover adds hundreds of thousands of money to a company’s expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

(ii) **Loss of company Knowledge** – When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past
history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

(iii) **Interruption of customer Service** – When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

(iv) **Turnover leads to more turnovers** – When an employee terminates, the effect is felt throughout the organization. Co-employees are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

(v) **Goodwill of the company** – The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

(vi) **Regaining efficiency** – If an employee resigns, then good amount of time is lost in hiring a new Employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee.

**Reasons why organizations are not able to retain employees**

Employee Retention would require a lot of efforts, energy, and resources but the results are worth it. Employees do not leave an organization without any significant reason. There are certain circumstances that lead to their leaving the organization. The most common reasons can be:

(a) Performance goals are unclear. In a fast growing team or business the focus is on getting the thing done today, but rarely are performance goals thought through and employees told as to which resources to approach for help.

(b) Reward systems are not transparent. Most employees who get salary increases because they have a rare skill at a particular point of time think they got their raise for excellent performance.
(c) Perceived equity of reward systems is low. Like it or not, employees discuss salary details and if there is any perceived lack of equity then you have an issue!

(d) Goal setting process is not scientific. Most organizations impose a normal curve fitment, but do not train managers to set realistic goals or goals that tie up with organizational or functional goals. This also leads to point number 6.

(e) External equity is missing too. Don't do an annual compensation survey when the market moves every 3-4 months. If your practitioners feel that externally comparable professionals are being valued more, then they will leave.

(f) No communication around total value. If you offer benefits apart from only monetary terms, you communicate that to employees too. Things like being a global or niche industry leader, value of the brand of the organization, should also be made explicit.

**Employees Leave the Organization**

There are a number of reasons for employees leaving the organization. Well, the most obvious reason for employees leaving any organization is **higher pay**. The main problem here is that employees are moved from one location to another location along with their family. But this problem is taken care of by a salary hike which may be around 20%-35% per annum.

Another factor is **work timings**. In some organizations, work timings are such that they are making employees leave the organization.

Another factor is **career growth**. In many organizations, only 20% of employees are able to go to senior levels. This means that the remaining 80% of employees look for other organization where they can get opportunities for growth.

One more reason for leaving the organization is **higher education**. These days, in many organizations, employees are joining at very young age because of lucrative salaries being offered. But with time, they apply for higher education and try to move on to other organizations or sectors to occupy top management positions.
The **percentage of women employees** is also responsible for higher attrition rate. These days, the percentage of women employees is around 30%. Generally, women employees leave the organization after marriage to take up their house-hold duties, irregular work hour’s et al. 80% of employee turnover can also be attributed to the mistakes during hiring process (Harvard Business Review).

Other factors include accident making the employee permanently incapable of doing work, dislike for the job or place, unsatisfactory work conditions leading to strained work relationships with the employer; lack of security of employment et al also contribute for higher attrition rate.

Attrition Rate is good for the organization as long as the rate is at normal level. This will help the organization to get new blood into the organization and for the organization to develop. But it becomes a problem when the attrition rate is abnormal. Therefore, HR Department has the most crucial role to play in any organization. At the time of conducting interviews, the HR personnel try to bring right candidate to the right job. Similar is true even when the attrition rate is abnormal, so they have a very crucial role to play.

**Following are some of the tips to reduce attrition rate: -**

**At the time of Recruitment**
Elect the right people through competency screening.
- Use psychometric tests to get people who can work at night and handle the monotony.
- Offer an attractive, competitive, benefits package.
- Make clear of performance enhanced incentives and other benefits. Keep these promises, later.

**At the office**
- An employee’s work must be communicated to him clearly and thoroughly. The details of the job, its importance, the way it should be done, maximum time that can be allotted to complete it etc., must be made clear. If there are changes to any of these, let the employee know at the earliest.
• Give the employees necessary tools, time and training. The employee must have the tools, time and training necessary to do their job well - or they will move to an employer who provides them.

• Have a person to talk to each employee at regular intervals. Listen and solve employee complaints and problems, as much as possible. Fairness and impartial treatment by seniors is important. Help employees manage stress, both at work and if possible, off work too. Give them special concessions, when in need. Treat the employees well & provide dignity of job.

• The quality of the supervision an employee receives is critical to employee retention. Frequent employee complaints arise on this issue.

• Provide the employees a stress free work environment. People want to enjoy their work. Make work and work place cheerful and fun-filled as possible.

• Make sure that employees know that their work is important for the organization. Feeling valued by their employer is the key to high employee motivation and morale. Recognize their strengths and help them to improve those they lack.

• Employees must feel rewarded, recognized and appreciated. Giving periodical raise in salary or position helps to retain staff.

• Offer excellent career growth prospects. Encourage & groom employees to take up higher positions/openings. If they don’t get opportunity for growth within the organization they will look elsewhere for it.

• Work-life balance initiatives are important. Innovative and practical employee policies pertaining to flexible working hours and schemes, granting compassionate and urgency leave, providing healthcare for self, family and dependants, etc. Are important for most people. Work-life balance policies would have a positive impact on retaining skilled employees, as well as on attracting high-caliber recruits.

**Participative Decision Making** - It is incredibly important to include employees in the decision making process, especially when decisions are related to employees. This can help to generate new ideas and perspectives that top management might never have thought of.
Sharing of Knowledge with Others - Allow the members to share their knowledge with others. This helps in retention of information. This also lets a team member know that he is a valuable member of the organization. Similarly, facilitating knowledge sharing through an employee mentoring program can be equally beneficial.

Shorten the Feedback Loop - This helps the employees to know the feedback to their work within a short period. This also helps to keep performance levels high and reinforce positive behavior among employees.

Pay Package - Any employee wants to be appropriately paid and fairly for the work he or she does. For this, conduct a research to find out the pay package in other similar type of organizations at regional as well as at national levels.

Balance Work & Personal Life - No doubt family is exceptionally important to employees. When work begins to put pressure on one family, no pay package will keep an employee in the organization. Therefore, there should be a balance between work and personal life. Small gestures like allowing an employee to take an extended lunch once a week to watch his son's cricket game will result in loyalty and helps to retain the employee.

Organizational Culture - Try to select the candidates who believe in the organization culture and adopt with ease to organization culture.

- Exit Interview with the employees who are leaving the organization will help the organization to find out the reasons why the employees are leaving the organization. This will also help to find out any drawbacks in the organization.
• Another method to reduce attrition rate is that they should find out why employees are leaving the organization from the employees who are working for the past so many years.

**Motivational Training** - It is sure that motivational training helps to retain the employees. One of the crucial aspects to motivate employees is to ensure that they have ample growth opportunities which can be provided through training.

**Multi-Tasking** - One of the ways to retain the employees in the organization is try to get people with different qualities like smart, adaptable, and capable of multi-tasking.

**Referrals** - Another technique is to try to get the employees hired through referrals. This makes them stick with the organization.

**No Favoritism** - One of the surest ways to create animosity and resentment in an organization is to allow favoritism and preferential treatment towards an employee. Be sure to treat all employees equally and avoid favoritism at all costs.

**Definition**

Measurement of the efficiency of a person, machine, factory & system, etc. will be use in converting inputs into useful output.

Productivity is computed by dividing average output per period by the total cost incurred total cost incurred or resources (capital, energy, material, personnel) consumed in that period. Productivity is a critical determinant of cost efficiency.

According to the study to explore and identify perceived barriers to productivity in companies. In a bid to examine the perceptions of organization, both qualitative and quantitative data were collected by means of a questionnaire survey. The result of this study indicates that the measure barriers to productivity are; job dissatisfaction, lack of facilities, lack of commitment, poor management, poor relationship among staff and teamwork. The research went further to recommend a three way process i.e. work teams, regular training in information technology and active participation of organization in the productivity movement.
Study provided three compelling arguments to justify making the job satisfaction of the organization a primary concern. First, some research has demonstrated a relationship between job satisfaction and performance and productivity. Second, staffs who are chronically dissatisfied with their jobs may manifest such negative behaviors in the form of chronic absenteeism and high turnover. Third, organization administrators should concern themselves with job satisfaction simply because they care about the wellbeing of the people with whom they work. Although it is a common assumption that more satisfied staff tend to be more productive, the literature has also shown that this is not always true. That according to Bhagat (1982): a highly satisfied individual can become self satisfied and then twine along on his or her past contribution, while other lowly satisfied individuals may be most productive, if he/she perceives that his/her performance will be rewarded by a promotion, a pay increase or a chance for another job elsewhere.

THE CONCEPT OF PRODUCTIVITY

The concept productivity can be seen as the level of performance, as other social science concepts it does not have a universal definition but several literatures referred it to as the ratio of input and output, some equate it with the level of efficiency and effectiveness. However productivity had been given a variety of meanings either by intent or by default. It has been used in the context of individual behavior, group achievement, the output of the firm or performance. Thus human resources are seen as an important contributor to productivity although the casual links are not always clear.

Marc, (2004) reported that Kendrick, (1981) sees that there is no common widely shared definition of productivity. Productivity is a summary measure of the quantity (size, weight, number, volume of work) and quality (excellence, performance) with resource utilization. It can be measured based on individual or group (Schermerhorn, 1993). Personal characteristics and characteristics that describe an individual are usually objective and easily obtained from personal records (Robins 1993). The simplest possible definition of productivity is output per unit of time where output may be measured in the units of production, service, money or
some other measurable criterion. In other words, Ruch and Hershauer noted that at its simplest productivity can be regarded as the ratio of output to input.

As quoted by Awuku (1995), Ogunniyi (1978) reported that there are seven obstacles to Productivity i.e., bad planning, a lack of basic materials to work with, equipment breakdown and poor machine design, careless and dysfunctional working habits, occupational hazards and accidents, poor working conditions and inadequate production infrastructures (Jain, 1998).

**PRODUCTIVITY AND ITS DETERMINANTS TECHNOLOGY**

The idea of organizations productivity is principally determined by its level of technology and the level of employee job performance. In a broader sense the technology of an organization refers to the transformation of input into outputs. I.e. educational institutions are organizations that have the technology of training students (inputs) to become graduates (outputs) as such technology of an organization varies from the type of its production of goods or services I.e. hospitals, manufacturing industries etc. The extent to which methods transformed are reliable, the order to which they are performed which lack waste, etc determined the contribution of organizations technology to produce. In some organizations technology is the major determinant of their performance this in the case when work is highly determined by machinery (Argyle, Gardner and Cioffi, 1958) while in some organizations the major determinant is employee performance thus the major gains in production is to improve employee performance (Marc, 2004).

In most instances employee performance is determined by the concept ability, work environment, and motivation (Griffin, 1990).employee performance can be regarded as the product of ability and motivation. It can be expressed as performance = ability times motivation. If motivation is lacking then performance is nil. Attempts to alter employee performance mainly focused on ability, motivation or both (Marc, 2004).
PRODUCTIVITY AND ITS MEASUREMENT

As there’s no universal definition of productivity so is its measurement. There is no one best way of measuring the rise and fall of productivity, though some variables can be used to determine its efficiency and effectiveness. In a real sense employee productivity refers to the relationship between employee input (labor cost, absenteeism, turnover) and employee output (number of services offered, number of products etc). It is very difficult if not impossible to obtain adequate approximations for productivity because it has so many short range and long range aspects of which hourly output, creative ideas, turnover, absenteeism, and waste are only a few (Huizinga, 1970). He further stated that it is often complicated when element of quality enters its definition and measurement. Thus production is said to improve or increase when output increase relative to input cost or when inputs cost decline relative to outputs.

PRODUCTIVITY AND WORK ATTITUDE (DIAGRAM)

As reported by Porter and Steers, 1973), Brayfield and Crockett, (1955), Kahn, (1960), Katzell, Yankelovic, Fein, Ornet and Nash, (1975) posited that ample research has shown the relationship between attitude and productivity as there was a time when employee satisfaction and employee principal attitude where thought to be closely related to employee productivity. That is to say satisfaction in relation to employee and his supervisor, co-employees and the like was linked to high productivity and dissatisfaction to low productivity. Employee productivity in terms of rate or quantity of output is at best weakly related to employee attitude in the other hand if employee productivity is considered in terms of lack of absenteeism, low turnover, and other forms of withdrawal from the job a relationship between productivity and satisfaction exist. As such those employees most satisfied are those employees least likely to withdraw (Marc, 2004).

CRITERIA OF PRODUCTIVITY

There is no universal or single criterion that distinguishes itself as most valid global indicator of productivity hence they are then grouped into three categories which reflect employee performance I. e output, withdrawal, disruptions.
OUTPUT: Quality/accuracy, Quantity/rate, Cost/efficiency, Miscellaneous

WITHDRAWAL: Turnover, Absenteeism, Tardiness, Lateness Miscellaneous

DISRUPTIONS: Accident/safety Strikes, Slowdowns Grievances Alcohol/drugs Miscellaneous

Different Theories

The attrition rate remains a debatable area as there is no standard formula to calculate it. This can be ascribed to many factors. Suhas Nerurkar, President, TVA Infotech, lists a few of them:

- The employee base changes each month. So if a company has 1,000 employees in April 2004 and 2,000 in March 2005, then they may take their base as 2,000 or as 1,500 (average for the year). If the number of employees who left is 300, then the attrition figure could be 15 percent or 20 percent depending on what base you take.

- Many firms may not include attrition of fresher’s who leave because of higher studies or within three months of joining.

- In some cases, attrition of poor performers may also not be treated as attrition.

- Essentially, the attrition number is also a PR or stock/analyst statement and is prone to dressing up.

Varied theories are also applied as organizations like to brand themselves differently as far as their HR and recruitment strategies are concerned. Explains Advani, "Each company positions itself uniquely in a common market place by claiming to have exceptional HR policies, procedures and management styles that directly impact retention or attrition; hence the absence of a homogenous system. Also, in situations where a common attrition measurement formula is applied, companies find a way to justify their results to position their statistics differently from their peers on account of having ‘different’ operating practices."

However, Anil Noronha, Director, HR, Indian Subcontinent, Onward Novell Software (I) states that most companies use a fairly standard method—the number of
employees who left during the year divided by the average number employed for that year.

**The True Picture**

The attrition rate that is generally disclosed by most organizations does not always show the correct picture. Nerurkar acknowledges this to be true. "I agree that the figure has a direct impact on stock markets, employee morale and customer confidence. There is too much at stake and neither the US GAAP (Generally Accepted Accounting Principles) or SEBI requires that this be calculated in a particular way."

The attrition rate has always been a sensitive issue for all organizations as it can have major fallout on the bottom-line. Kranti Munje, Senior Manager, HR, Bristlecone India furthers, "This is because the attrition rate is an indicator of many things intrinsic to the organization and revealing it may affect it negatively. In fact at times disclosing this data can be like a self-fulfilling prophecy—if you reveal that the attrition is high, it may actually become higher."

It is also not uncommon to find companies proclaiming an attrition rate that is much less than that of others in the industry. Remarks of Mr. Bijayinee Patnaik, HR Head at Mahindra Special Services Group (MSSG), "Companies must be projecting their attrition rate incorrectly because it tends to affect their brand image both internally and externally. Internally, it sends a wrong signal to their employees and the board of members; externally, it can affect the company in various ways such as developing a bad image or dissuading fresh talent from joining." She regrets that companies do not realize that hiding their attrition rate is never a solution for reducing the same.

[Source: Mahindra Special Services Group]

**Cause and Analysis**

Calculating employee turnover is not a matter of simple mathematical methods. It is necessary to take into account the root of the problem by going back to the hiring stage. Harish Bhattiprolu, Director, Sales, Kenexa Technologies, points
out that most organizations do not evolve robust measurements for calculating the
cost of labor turnover or a bad hire. The details of information required and the
measurement metrics are not common formulae, but have to be designed in keeping
with the nature of the business and different job functions. "As a result, most
organizations do not intend to mislead by disclosing statistics which may not be
ture; it is just that perhaps they believe those to be true. It is imperative to evolve the
science of measurement before the measure itself," he asserts.