CHAPTER 5

ATTRITION—AN EMPIRICAL PERSPECTIVE

5.1 INTRODUCTION

Every Industry faces certain bottlenecks that are typical to that particular Industry. This is true of the BPO Sector too. This Sector, has grown at such a fast pace since its inception in the 90's of the last century, that there was hardly any time or reason for stakeholders to analyze the underlying problems that could erupt with the passage of time. The Nasscom-McKinsey Report (2005) states that ‘India’s offshore industries have to overcome four major challenges to continue their heady growth and sustain their share relative to other competing countries.’ It follows from this that unless identified and dealt with soon, these issues could slowly eat into the competitive advantage that India enjoys as a destination for effective business partnership. With reference to the Outsourcing business, it has been observed that the relative cost advantage between different destinations is reducing universally. It is also seen that the competition among countries is intensifying. This finding is also supported by the remarks of Prof Amartya Sen in his keynote address at a Nasscom Summit.1 According to him ‘Indian IT has done very well in making excellent use of the global market, but competition there is likely to be increasingly fierce’.

Retaining the cost advantage is now not just a matter of strategic edge in business but virtually a matter of survival in a globally competitive environment.

In a people-centric Sector such as the BPO Sector, the greatest advantage that India enjoys over other countries is the availability of a vast youth population. This manifests itself as ‘cost advantage’ and ‘abundant talent to choose from’. With the improvement in the total scores of countries other than India in the Global Services Location Index (GSLI) between 2004 and 2007, it is now imperative that we, as a Nation take a serious note of this matter. This requires a probe into where exactly we are losing the edge and eventually take the necessary specific action at the earliest, if not on a war footing. (Kearney A.T, 2007)2

In the context of BPOs, human resource is a blessing that India has and has undoubtedly been the strength on which a major part of the BPO success story rests.
However, if there is a complacent or laid back approach towards the issues that HR poses, there is a fair chance that India may lose its competitive advantage in times to come. For a labor surplus economy like India, it will be a matter of serious economic consequence, if a prospective employment spurning sector’s success story ends up short lived. The same Human resource which is a boon could end up as a bane.

Among various issues that pose as stumbling blocks to the BPO Sector, Human Resource issues are invariably identified as one of the most serious ones that need to be dealt with. There are two Human resource related challenges that are often discussed and debated about by the corporate bigwigs in the HR Summits/Conferences. (Bhargava, 2004) One is the challenge of ‘high attrition’, which becomes a nightmare for the HR professionals at times. The other is the ability to meet the ‘human resource requirements’ to continue harnessing more business. In two separate chapters, these challenges are analyzed, from an empirical perspective encompassing various facets. This Chapter looks at the issue of Attrition. The subsequent chapter analysis the other issues related to Human resource.

Attrition is analyzed from several dimensions. The rest of this Chapter is divided into the following sections: Section 5.2 presents the concept of attrition, how it affects an Organization and the various drivers of attrition in the BPO Industry. This is supported with an analysis of data collected from the BPO Sector. The sources of data and the methodology of the study conducted have been explained in Section 5.3. This section also contains a theoretical explanation of the statistical tools used for the analysis. Further it specifies the sampling method used to identify the sample population. Section 5.4 of this Chapter deals with the detailed findings from the data collected and analyzed. Section 5.5 summarizes the findings of the analysis in the previous sections. Certain steps to check attrition followed by the BPO Companies are discussed in Section 5.6. Based on the study, some recommendations to reduce attrition have been offered in the same Section. The last section of the Chapter brings forth the conclusions drawn.
5.2: ATTRITION – ITS IMPLICATIONS

Attrition is defined as ‘A reduction in the number of employees through retirement, resignation or death’. Attrition rate is the rate of shrinkage in size or number of employees in an Organization (Sharma, 2006)

Thus, in simple terms, attrition is the turnover of staff or movement of staff out of an Organization in a year. This is also referred to as ‘turnover’. Being a crucial part of the Service Sector, the BPO Industry rests on the strength of India’s human resource. Indian BPO Industry has grown substantially in recent times because of the availability of a large skilled English speaking manpower and the largest graduate population of youth in the world. However as noted earlier, today one of the greatest blocks the Industry faces are the problems related to the HR Department. The challenge for an HR executive in any BPO firm across verticals, voice or non-voice, across BPO hubs and irrespective of being low end or high end is to keep a check on the attrition rate. BPO Companies often talk of ‘attrition’ in hushed tones and share data of attrition only if it is within tolerable limits. Attrition could be ‘Drive attrition’ which is caused from the employer’s side. It could also be ‘Drag attrition’ which is due to the frequent job change from the employee’s side. In the present study, it is ‘Drag attrition’ that has been analysed.

The question is, how exactly does ‘attrition’ affect an Organization? This necessitates the understanding of the nature of costs that a BPO Unit incurs on its staff, which is virtually the backbone of the business. However, apart from the cost to the Organization; there are other consequences of attrition. These include deterioration of the quality of services provided, business process breakdown and delay in delivery.

One of the most prominent costs that a Service provider incurs is the staff cost. Although the cost of setting up an Office does work out as important fixed cost, the cost of staff to run the Office plays a crucial role. As staff size is directly proportionate to the quantum of business, particularly in a typical Call Centre jobs. Thus, staffing cost occupies a vital position in the financial planning of the BPO business. Even in case of the high end services or KPO services, staff costs are very high but in such a case, it need not vary proportionately to the quantum of work. It
may vary with the quality of work, as more domain specific the nature of the work outsourced, more qualified and specialized must the employees be.

BPO Companies usually divide their employee costs under two heads, which may be referred to as ‘Direct costs’ and ‘Notional costs’. These are often referred to in the BPO Sector as ‘Hard and Soft costs’. These heads include the following costs:

A) **DIRECT COSTS:**

1. Cost of advertising posts – This includes the cost of newspaper advertisements, TV advertisements or any other such expense.

2. Recruiting cost – This includes time, money spent on screening applications, conducting the interviews, making reference checks, which are often done through professional agencies and engaging placement professionals.

3. Cost of training the employee till he/she goes on the floor – The cost of appointing trainers and supplying training material.

4. Salary and benefits of the employee during the training period – this is an initial investment as the employee does not start earning till the training is completed. The benefits include transport, food and other such perks. This may vary according to the Company Policies.

5. Cost of the impact to the Managers, Department members who have to understand what work is incomplete, what needs to be taken over immediately, what processes may be affected by an employee’s leaving.

6. Creation of a buffer staff – This includes the additional expense created in anticipation of a minimum drop out from the time of making the offer to the acceptance of the offer.³

7. Cost of conducting an Exit interview which includes the time lost of the interview.

Depending on the process and the nature of the work outsourced, training time can range anywhere from a week to six weeks for a fresher.
Direct costs are actually the costs incurred as soon as the process of recruitment begins. However there are certain costs which are implied or implicit. These may not be incurred directly but they have to be taken into consideration at the time of appointing a person. The possible negative impact of attrition needs to be a significant underlying factor to be considered seriously at the very initial stage of selecting a candidate. These costs can be called ‘Notional costs’ as they are not directly incurred. They include the following:

B) **Notional costs**:

1. Revenues that could have been generated by an experienced employee in case the job was done by such a person.

2. Revenue that might have been generated if another employee did not have to spend time mentoring the new employee/agent.

3. The additional expenses incurred on training a new employee where an experienced one could have worked in place of the new appointee.

4. The revenue lost on account of loss of customers that the employer had built a rapport with.

The serious problem that an Organization faces when someone leaves a job, is that all these costs incurred on the employee suddenly leave along with the employee. These costs are made, assuming them to be an investment on someone who could have had a long association with the Company. In case the employee who leaves is an experienced one, the Company faces the additional burden of finding a suitable replacement. Further, while Companies make efforts to protect intellectual property, there is no protection from the loss of what is referred to as ‘vital intangibles’ in the BPO Sector. The cost of recruiting, rehiring, retaining and maybe even reacquiring a customer can give an Organization a tough time. Often Companies calculate only the cost of engaging employees and ignore the costs that may be incurred due to attrition. According to Nasscom, attrition costs the Company about 1.5 percent of salary bill. This upsets the budget and business plans of BPO Companies to a great extent. In fact data on attrition is not easily available. There are a lot of guesstimates doing the rounds. For instance, Assocham declares that there is a possibility that attrition in the
BPO which is now in the range of 25-30% is expected to go up to 30-40% by 2009. Another study estimated that Attrition was highest in India in the Asia-Pacific region. The guesses about attrition rates range from 10% to as high as 80% and even more at times. This, they say, is likely to be the outcome of an increasing number of youth opting for careers in aviation, retail services and hospitality segments.4

Attrition rates differ according to the vertical. It is inversely related to the nature of the service provided. Attrition is higher in Customer Relationship Service /CSR as compared to health care. Similar trends are seen between Voice and Non-voice services, wherein the attrition is invariably higher in case of voice services, call centre services as against back office and non voice services.5 It is also seen that as the nature of the service provided moves up the value chain to knowledge based work or high end activities, attrition reduces. The obvious underlying reason is that the number of High end service providers are fewer. Employees thus tend to stay in their jobs. Usually the nature of work and the job satisfaction are the deciding factors in high end jobs. The remuneration offered also improves as the nature of the process and domain get more complex and demanding.

Further, according to a report, attrition is seen as a challenge for the HR team as the Organization scales up. This means that in smaller companies, the employee satisfaction level is higher (Chakravorty, 2005)

Several factors have been identified for causing and accentuating attrition. These are discussed below. As a matter of fact, no single reason can be attributed as a cause for attrition in the BPO Sector. There are a multitude of factors. It is hence, not easy to ascertain which of these reasons is most responsible for attrition. The reasons commonly observed are:

- **Lateral hiring**—poaching is quite rampant by professional Placement Firms and Head hunters. This practice is found among both, the IT and the ITES Sectors.

- **Overqualified employees with mismatch between education and the job profile.** This is mainly the result of the newness of the Sector and the absence of Institutional courses which are directly designed to address the needs of this Sector. As a result, no matter how qualified one is, he/she joins this Sector almost
like a fresher. This situation is certainly showing some improvement as the entire BPO business is maturing.

- **Organisational structure is quite flat.** This leaves not much scope for promotions. Thus initially there are a lot of hopes but as time progresses and only selected few get the benefit of promotions or upward movement, there is a good amount of frustration among the remaining employees.

- **Taking the BPO job as a short term job or a stop gap career.** In the metros in India, youngsters consider BPO jobs prestigious and 'earning while having fun'. However a good number of them look at BPO jobs as a short term career.

- **Disturbed body clock due to night shifts** – problems in physical, social and psychological wellbeing. Initially employees, particularly youngsters find night shifts a novel experience. However as time passes, many employees face problems such as digestive disorders, vision related disorders, sleep disorders, being cut off from social groups, social functions, fatigue and a constant feeling of discomfort in adjustment with the world around them. This adds to the high rate of turnover in the BPO Sector. (Anandkumar, 2008)

- **Very heavy work pressure and tight Service level agreements (SLA).** Performance metrics are so stringent, that there is a nagging fear of competition from colleagues. There are instances when an employee foregoes answering the call of nature, just to fulfill his/her target and be one up on the others in the Department. This pressure works at a different level, as we move higher up on the ladder. Senior executives are under constant pressure of growing competition, rising costs and a gamut of factors that impact profits. Reducing profits to wafer thin margins can be a perpetual nightmare at the C-level. This is often referred to as BOSS or Burn out stress syndrome. Very often this forces people to give up lucrative packages and settle for easier but less remunerative options.

- **Long working hours.** Work hours are even longer in case of tele-cons. The time to get in is certain but the time to get out of the Organization is very indefinite. High level of answerability particularly in case of the Captives, forces employees to spend very long hours to meet the requirements of the position. At times, the
car drive or an airport stop over is used to complete tele-conferences, where Wi-Fi or other internet technology are easily accessible.

- **Monotony of work.** This is particularly true of the call centre jobs and more so in the case of Voice services. The nature of the calls whether marketing or enquiries or customer support is rather similar over time. In the case where an employee stays in the same position for a longer duration, such monotony can be frustrating and despite gaining experience, can force people to leave not just the job but the BPO Segment on the whole.\(^8\)

- **Disturbing and abusive calls in voice based services.** There are cases of Indian Call centre agents being charged by American customers with statements like ‘You guys blew up the WTC’. Though these are becoming fewer in number, such experiences can be very unnerving and force youngsters to leave the BPO Sector for good. (Kulkarni, 2005)

- **Distance of place of work** – usually BPO’s are located in SEZ/STPI’s or away from the city. Even if the Company provides transport, the time taken from the main city to the place of work, given the traffic in larger cities can be quiet stressful and put extra pressure on the employees particularly in case of emergency situations from the domestic front. This is an additional factor to play on attrition.

With a view to tackle the issue of attrition, several steps have been taken at the individual level by Companies. These are discussed in the next Section based on the responses. Despite implementation of many of these steps, the problem of attrition remains and the Industry constantly fears erosion of cost arbitrage due to this. It is pertinent to note that, very few empirical studies have been conducted in India which deals with the problems of Attrition.

It is in this light that the present study is undertaken to check if the issue of attrition does exist. Further, if it does exist, the study probes into the reasons that can be pinpointed to cause attrition. In the Section that follows, details of the sources of the data taken for the present study and an explanation of the methodology of analysis are provided.
5.3: DATA SOURCE AND METHODOLOGY OF THE STUDY:

The present study has been conducted with the help of Primary data collected from Companies engaged in BPO Services across India’s major cities. The BPO Sector has seen a rise in the number of Companies since its inception in India in the mid 90’s from a mere handful to around 150 by 2005. The Industry is spread across various cities in the country, mostly in metros. The Companies include those that are exclusively into BPO activities as well as those that are mainly IT Companies but which have a BPO arm too. Several sources are available that give the list of Companies engaged in BPO services. Some of the prominent ones are:

- Nasscom members list,
- bpoindia.org
- Dun and Bradstreet Directory
- Offshorexperts.com and few other sources.

As the present study focuses mainly on attrition, its causes and other manpower related policy matters of the Industry, it was decided to invite Companies with a minimum employee size of about 100 to participate in the study. This is because, all matters related to attrition and manpower is dealt with by the HR Department. Smaller Companies often fail to have a separate HR Department, leave alone specific HR Policies. Moreover, firms of small employee size rarely get affected by issues such as attrition. Infact, it is also observed that although the number of Companies engaged in BPO activities has been increasing over the recent times, there is a large number of Companies with single digit seating capacity. Thus, the employee size of 100 has been made a criterion mainly to avoid such Companies and make the study focus more on the larger players in the Industry. Since it is the Dun & Bradstreet Directory (2005), which provided the list of Companies based on Employee size among other criteria, the researcher has chosen the same for identifying respondents for the study.

As it was not feasible to contact all the Companies, the sample population was identified on the basis of ‘The Proportional Allocation method of stratified sampling’ (Goon, et. al., 1984). The method specifies that the sample size to be chosen should be
in proportion to the total number of Companies engaged in the activity concerned in each area selected. Accordingly, the cities selected for the purpose of the study were the major cities associated with BPO activities in India, namely Mumbai, Delhi (NCR), Chennai, Bangalore. Vadodara has also been included in the study so as to provide a comparative picture. At that point in time when the survey begun, the number of BPO Companies that the cities selected had were as follows.9

Bangalore = 28, Delhi = 40, Chennai = 21 and Mumbai = 37.

Out of the population of 28 companies in Bangalore, 15 have been selected, in Delhi from population of 40 companies, 3 have been selected, in Chennai population of 21 companies 9 have been selected and in Mumbai from the population of 37 companies, 8 have been selected.

\[ N_1 + N_2 + N_3 + N_4 = 15 + 3 + 9 + 8 = 35 \]

As per the Proportional Allocation method of stratified sampling, the following formula is applied on the number of Companies:

Here, \[ \frac{n_j}{N_j} = \frac{n}{N} \]

\[ n_j = \frac{n}{N} \times N_j; \]

Where \( N_j = \) Sample size in the jth stratum

\( n = \) Required sample size

\( N = \) This indicates the population size.

\( j = 1, 2, 3 \) and 4.

Based on the formula, it is calculated that a minimum of 35 Companies may participate in the study to make a valid representation of the BPO Industry. Moreover, these 35 must be taken from the four cities in proportion to the number of Companies existing in each city at the time when the study began. The city-wise number of participants to be invited is given below:
Bangalore..................n1 = 35/126* 28 = 8
Delhi .......................n2 = 35/126* 40 = 11
Chennai ....................n3 = 35/126* 21 = 6
Mumbai.....................n4 = 35/126* 37 = 10
TOTAL ...................... = 35

Thus in all, at least 35 Companies were expected to participate in the research from the cities selected for the study. Apart from these, one Company listed in Vadodara has also been included in the study.

For the purpose of the study, an Online Questionnaire was designed and posted through the site www.surveymonkey.com. This site is widely used for research support across the globe. The Online Questionnaire was mailed to the 150 Companies identified through the Dun and Bradstreet Directory. Several follow up mails and reminders were sent as and when required. It was seen that the BPO Sector is quite closed to sharing information. Also, where data was shared, the question raised to the researcher was 'what’s in it for us?' At the same time, it was observed that most Companies mentioned that they have never been approached for such information earlier.

The questionnaire had to be designed carefully keeping in mind the sensitive areas such as ‘financial details’ and ‘attrition’. Direct questions on ‘attrition’ had to be avoided and only ranges of response had to be given for respondent to choose from the same has been ascertained after extensive deliberations with senior executives in the BPO Industry.

A list of participants and some generic information received from the respondents are part of the Appendix. It is relevant to mention among the 36 participant BPO Companies in the study, 10 are rated among the top 25 BPO Companies in India. The two Companies rated among the best BPO Companies in the country in terms of revenue are also among the respondents. The aggregate employee size of all the respondents was approximately 25% of the entire BPO Sectors employee strength. This validates the sample’s representation of India’s BPO Sector particularly in a study that focuses on ‘attrition’ and issues related to ‘human resources’.
Personal visits to over 100 well known Companies were made across these cities, to discuss pertinent issues of the study and also to seek responses. The experience with personal meetings was extremely rewarding, as it appears that top management is very much keen on understanding and dealing with the problems of the Industry from a macro economic perspective. Very senior executives of the level of CEO's and Vice President discussed issues with the researcher at great length and engaged in thread bare analysis of some of the problems being studied in the current research. Such personal meetings and discussions have offered greater insight into the problems and issues of the Industry. Many of these discussions have been incorporated in the final analysis of the problem of the study. This approach is adopted to make the analysis both practical and realistic, given the nature of the BPO Industry.

**Principle Component Analysis and Chi-square Test:**

In the present research, attrition has been studied and analysed statistically with the help of the tool Principal Component Analysis or PCA. PCA is generally used to analyse information that is qualitative in nature. Since the information pertaining to the issue of Attrition that has been collected is mostly qualitative, PCA has been used for the analysis. (Johnson and Wichern, 2006) (Anderson, 2004)

This tool has been used widely in Health Economics (Gwatkin and others, 2000a, 2000b and 2000c, McKinsey, 2003, Mont Gomery, 2000, Vyas and Kumaranayake, 2006), and in Poverty analysis (Sricharaoen and Buchenrieder, 2005). PCA has been helpful in studies related to Regulatory Policies(Nicoletti, Scarpetta and Boylaud,1999) and in construction of Cross country measures of Capital controls(Chinn and Ito,2006). Government of India has also used PCA in studying e-readiness(2006).12

To the best of the researcher’s knowledge, the current research is one of the first attempts to use PCA to analyse the problem of Attrition in BPO Sector in India.
For performing PCA, the Statistical package for Social Sciences (SPSS) package has been used. This tool has been chosen as ideal for the given data mainly because the nature of the data is quantitative as well as qualitative. PCA is a process of iteration which removes unimportant variables step by step. It finally gives the components which are important or which influence the relevant variables the most. PCA is thus a tool which reduces the dimensionality of the data set.

PCA involves an examination of the correlation matrix for the variables and extraction of principle components of the data obtained from Eigen vectors of correlation matrix whose Eigen values are largest.

PCA describes the variation of a set of correlated multivariate data (X’s) in terms of a set of uncorrelated variables (Y’s).

Each Y is a linear combination of the original variables X.

\[ Y_1 = a_{11}x_1 + a_{12}x_2 + \ldots + a_{1n}x_n \]

The \( a_{ij} \)’s (coefficients) are weights of each X variable contributing to the new Y1.

Each variable Y1 is derived in decreasing order of importance.

The objective is to see whether a smaller set of variables could be used to summarize the data with little loss of information. In other words, from this small set of variables, PCA helps to identify which variable has the maximum impact on the results.

The PCA consists of the following steps

1) **Correlation matrix** - This is used to find out X variables with the largest variances that can dominate the results. This matrix indicates the correlation between the variables. The correlation matrix for the variables must contain two or more correlations of 0.30 or greater for SPSS to be applicable on it.

2) **Anti-image matrices** - There are two anti-image matrices, anti image correlation matrix and anti-image covariance matrix. We are interested in anti-image correlation matrix. SPSS locates the sampling adequacies which are on the diagonal of the anti-image correlation matrix and have values of 0.5 or > 0.5.
3) **Kaiser-Meyer Olkin and Bartlett’s Test** — This test is a statistic which indicates the proportion of variance in variables which are common variances, i.e. which might be caused by either the sample size or the probability associated with the variables.

The minimum requirement of test statistic is 0.50. KMO and Barlett's Test of sphericity indicate whether the correlation matrix is an identity matrix. This test would indicate whether the variables are unrelated or not. The significance level gives the result of the test. A very small value (of <0.05), indicates that there are probably significant relationships among our variables. Barlett's Test should be statistically significant. The P value for the test should be <0.05. (P value is the smallest level of significance that is less than the level of significance).

Over and above PCA, Chi-square test has also been used to investigate the relationship between two variables so as to validate the findings derived from data analysis performed using PCA.

The Chi-square test measures the hypothesis that the row and column variables in a cross tabulation are independent. Low significance value (typically below 0.05) indicates that there may be some relationship between two variables. While the Chi-square measures may indicate that there is a relationship between two variables, they do not indicate the strength or direction of the relationship. The nominal symmetric measures indicate both the strength and significance of the relationship between the row and column variables. The value of each statistic can range from 0 to 1. The row significance values of the contingency coefficient indicates that there is a relationship between the two variables but the row values for the test statistic indicates that the relationship between the two variables is a fairly weak one. In this Test, it is essential to find out Contingency Coefficient.

**Contingency coefficient:** It is a measure of association based on Chi-square test. The value ranges between 0 and 1, with zero indicating no association and value close to one indicating high degree of association.
\[ \text{cab} = \frac{X_{2AB}^2}{n + X_{2AB}} \]

Where \[ X_{2AB}^2 = \frac{n \sum f_{ij}^2}{(f_{0i} \cdot f_{0j})} - n \]

\[ f_{0i} = \sum f_{ij}, (i = 1, 2, \ldots, k) \] marginal frequencies of Ai.

\[ f_{0j} = \sum f_{ij}, (j = 1, 2, \ldots, l) \] marginal frequencies of Vi.

The findings of the study based on the data collected and analysed are presented below in Section 5.4.

5.4 FINDINGS:

In order to study the issues raised earlier, the responses to some relevant questions asked in the Questionnaire have been taken up for analysis. These Questions have covered information on three aspects of attrition. These are:

1. The percentage of attrition at different levels in an Organization.

2. Whether a direct measure such as ‘hike in remuneration’ has helped in putting a check on attrition in the Organization or not.

3. The most common reasons for attrition observed by the respondents in their Organization.

The most methods of calculating ‘attrition’ in this Sector are:

a) Monthly Attrition = 100 * (Total resigns per month) / (Total Number at the beginning of the month + New Joinees - Total Resigns)

b) Annual Attrition = Total numbers on 31st Dec - Total numbers on Jan 1st / 12

Here, it should be noted that the Questionnaire was framed keeping in mind the sensitive nature of the information sought.

Questions pertaining to attrition had been kept in a generic form as the method of calculating Attrition differs from one Organization to another. Apart from the method, the time period used for the calculation was either ‘monthly’ or ‘annualized’ depending on the Firm’s need. It is not uniform in any case. So firms are often tight lipped about questions that relate to the method used to calculate ‘attrition’. 
5.4 a - Findings using PCA:

PCA has been conducted on one set of Questions relating to attrition.

The main question asked in the Questionnaire to evaluate ‘attrition’ in the Firms participating in the survey was:

I) **What is the average % of employees who leave your Organization annually at the different levels? (Q35)**

The employee’s levels that had been identified were:

Entry level, First level, Middle level and Top Level

The responses collected with reference to question 35 which is on attrition, are presented in a tabular form and analysed below:

**TABLE 5.1: PERCENTAGE OF EMPLOYEES LEAVING THE INDUSTRY**

<table>
<thead>
<tr>
<th>Average % of employees who leave your organization annually</th>
<th>Entry level (%)</th>
<th>First level (%)</th>
<th>Middle level (%)</th>
<th>Top level (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10</td>
<td>2(5.6)</td>
<td>18(50)</td>
<td>24(66.7)</td>
<td>36(86.1)</td>
</tr>
<tr>
<td>11-20</td>
<td>8(22.2)</td>
<td>11(30.6)</td>
<td>10(27.8)</td>
<td>02(5.6)</td>
</tr>
<tr>
<td>21-30</td>
<td>15(41.7)</td>
<td>06(16.7)</td>
<td>01(2.8)</td>
<td>01(2.8)</td>
</tr>
<tr>
<td>31-40</td>
<td>06(16.7)</td>
<td>00(0)</td>
<td>00(0)</td>
<td>01(2.8)</td>
</tr>
<tr>
<td>&gt;50</td>
<td>04(11.1)</td>
<td>00(0)</td>
<td>00(0)</td>
<td>00(0)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35(97.2)</td>
<td>35(97.2)</td>
<td>34(97.2)</td>
<td>34(97.2)</td>
</tr>
</tbody>
</table>

The data indicates that at all the four levels; attrition does exist as shown below:

1) **Entry level**: There is an attrition of 21-30 %

2) **First level**: Here, it is at <10%

3) **Middle level**: At middle level, there is < 10 % attrition.

4) **Top level**: The top level also has an attrition of <10%

From the above it can be concluded that

I) **Attrition does exist in the BPO sector at all levels, however the proportion of attrition is higher at the entry level.**
This clearly shows in confirmation with the earlier studies that attrition does exist in the BPO Sector at all levels. However the issue of attrition is more serious at the entry level.

Further, other than the Entry level, in all three levels more than 80% of respondents, i.e. majority of the respondents revealed an attrition of less than 20%. Whereas, in case of the First level, more than 64% of the respondents revealed between 11 and 30% and almost 17% revealed 31-40% attrition. Only 5.6% of the respondents showed an attrition of < 10%. In the next step, the chief causes for attrition will be examined.

5.4b: Further findings using PCA

PCA has been performed on the following two questions:

1. Average percentage of employees who leave your Organization annually at different levels. (Q35)

2. Hike in Remuneration alone has led to control of attrition to a major extent at different levels. With reference to this statement, check whether you agree, disagree or are not sure (Q37)

These two questions are denoted by X35 and X37 respectively for the purpose of the analysis.

**STEP 1 OF PCA**

**CORRELATION MATRIX**

<table>
<thead>
<tr>
<th>Correlation</th>
<th>x35a</th>
<th>x35b</th>
<th>x35c</th>
<th>x35d</th>
<th>x37a</th>
<th>x37b</th>
<th>x37c</th>
<th>x37d</th>
</tr>
</thead>
<tbody>
<tr>
<td>x35a</td>
<td>1.000</td>
<td>0.426</td>
<td>0.430</td>
<td>0.291</td>
<td>0.073</td>
<td>-0.023</td>
<td>-0.320</td>
<td>-0.287</td>
</tr>
<tr>
<td>x35b</td>
<td>0.426</td>
<td>1.000</td>
<td>0.793</td>
<td>0.328</td>
<td>0.113</td>
<td>-0.180</td>
<td>-0.002</td>
<td>-0.079</td>
</tr>
<tr>
<td>x35c</td>
<td>0.430</td>
<td>0.793</td>
<td>1.000</td>
<td>0.569</td>
<td>-0.010</td>
<td>-0.060</td>
<td>-0.320</td>
<td>-0.450</td>
</tr>
<tr>
<td>x35d</td>
<td>0.291</td>
<td>-0.328</td>
<td>0.569</td>
<td>1.000</td>
<td>-0.044</td>
<td>0.000</td>
<td>-0.220</td>
<td>-0.288</td>
</tr>
<tr>
<td>x37a</td>
<td>0.073</td>
<td>0.113</td>
<td>-0.010</td>
<td>-0.044</td>
<td>1.000</td>
<td>0.406</td>
<td>0.088</td>
<td>0.000</td>
</tr>
<tr>
<td>x37b</td>
<td>-0.023</td>
<td>-0.180</td>
<td>-0.060</td>
<td>-0.000</td>
<td>0.406</td>
<td>1.000</td>
<td>-0.096</td>
<td>-0.234</td>
</tr>
<tr>
<td>x37c</td>
<td>-0.320</td>
<td>-0.002</td>
<td>-0.320</td>
<td>-0.220</td>
<td>0.088</td>
<td>-0.096</td>
<td>1.000</td>
<td>0.717</td>
</tr>
<tr>
<td>x37d</td>
<td>-0.287</td>
<td>-0.079</td>
<td>-0.450</td>
<td>-0.288</td>
<td>0.000</td>
<td>-0.234</td>
<td>0.717</td>
<td>1.000</td>
</tr>
</tbody>
</table>
To perform PCA in SPSS, the requirement for correlation matrix is that the correlation between two variables must be 0.3 or more as SPSS does not take into account values less than that.

For this set of variables, there are 7 correlations in the matrix greater than 0.30, satisfying this requirement. The correlations greater than 0.30 are:

- X35b and X35a,
- X35a and X35c, X37a and X37b,
- X37c and X37d,
- X35a and X37c, X35c and X35b,
- X35c and X35d

Anti-image correlation is conducted on these combinations out of which, the variables on principle diagonal give the sample adequacy.

Anti-image correlation matrix is calculated to see the sampling adequacy

**STEP 2 OF PCA**

**ANTI IMAGE MATRICES**

<table>
<thead>
<tr>
<th></th>
<th>x35a</th>
<th>x35b</th>
<th>x35c</th>
<th>x35d</th>
<th>x37a</th>
<th>x37b</th>
<th>x37c</th>
<th>x37d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti – image Covariance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>x35a</td>
<td>0.698</td>
<td>-0.112</td>
<td>3.266E-02</td>
<td>-9.07E-02</td>
<td>-8.03E-02</td>
<td>7.93E-02</td>
<td>0.131</td>
<td>3.007E-02</td>
</tr>
<tr>
<td>x35b</td>
<td>-0.112</td>
<td>0.215</td>
<td>-0.155</td>
<td>9.94E-02</td>
<td>-8.59E-02</td>
<td>6.98E-02</td>
<td>-5.91E-02</td>
<td>-8.30E-02</td>
</tr>
<tr>
<td>x35c</td>
<td>3.266E-02</td>
<td>-0.155</td>
<td>0.162</td>
<td>-0.153</td>
<td>4.50E-02</td>
<td>-1.46E-02</td>
<td>2.13E-02</td>
<td>0.100</td>
</tr>
<tr>
<td>x35d</td>
<td>-9.07E-02</td>
<td>9.94E-02</td>
<td>-0.153</td>
<td>0.617</td>
<td>1.52E-02</td>
<td>-1.00E-02</td>
<td>-2.20E-02</td>
<td>-3.77E-02</td>
</tr>
<tr>
<td>x37a</td>
<td>-4.03E-02</td>
<td>-8.59E-02</td>
<td>4.50E-02</td>
<td>1.52E-02</td>
<td>0.758</td>
<td>0.329</td>
<td>-3.66E-02</td>
<td>1.28E-02</td>
</tr>
<tr>
<td>x37b</td>
<td>-4.03E-02</td>
<td>6.98E-02</td>
<td>-1.46E-02</td>
<td>-1.00E-02</td>
<td>-0.329</td>
<td>0.712</td>
<td>-4.55E-02</td>
<td>0.105</td>
</tr>
<tr>
<td>x37c</td>
<td>0.131</td>
<td>-5.91E-02</td>
<td>3.13E-02</td>
<td>-2.20E-05</td>
<td>-3.66E-02</td>
<td>0.441</td>
<td>0.224</td>
<td></td>
</tr>
<tr>
<td>x37d</td>
<td>3.007E-02</td>
<td>-8.30E-02</td>
<td>0.100</td>
<td>-3.77E-02</td>
<td>1.28E-02</td>
<td>0.105</td>
<td>-0.224</td>
<td>0.369</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>x35a</th>
<th>x35b</th>
<th>x35c</th>
<th>x35d</th>
<th>x37a</th>
<th>x37b</th>
<th>x37c</th>
<th>x37d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti – image correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>x35a</td>
<td>0.786*</td>
<td>-0.290</td>
<td>9.71E-02</td>
<td>-0.138</td>
<td>-5.54E-02</td>
<td>1.06E-02</td>
<td>0.236</td>
<td>6.005E-02</td>
</tr>
<tr>
<td>x35b</td>
<td>-0.290</td>
<td>0.480*</td>
<td>-0.829</td>
<td>0.273</td>
<td>-0.212</td>
<td>0.178</td>
<td>-0.192</td>
<td>-0.298</td>
</tr>
<tr>
<td>x35c</td>
<td>9.71E-02</td>
<td>-0.829</td>
<td>0.560*</td>
<td>-0.484</td>
<td>0.129</td>
<td>-4.30E-02</td>
<td>0.117</td>
<td>0.415</td>
</tr>
<tr>
<td>x35d</td>
<td>-0.138</td>
<td>0.273</td>
<td>-0.484</td>
<td>0.659*</td>
<td>2.23E-02</td>
<td>-1.51E-02</td>
<td>-4.22E-02</td>
<td>-8.01E-02</td>
</tr>
<tr>
<td>x37a</td>
<td>-5.54E-02</td>
<td>-0.212</td>
<td>0.129</td>
<td>2.23E-02</td>
<td>0.416*</td>
<td>-4.48</td>
<td>-6.33E-02</td>
<td>2.48E-02</td>
</tr>
<tr>
<td>x37b</td>
<td>1.06E-02</td>
<td>0.178</td>
<td>-4.30E-02</td>
<td>-1.51E-02</td>
<td>-0.448</td>
<td>0.483*</td>
<td>-8.12E-02</td>
<td>0.207</td>
</tr>
<tr>
<td>x37c</td>
<td>0.236</td>
<td>-0.192</td>
<td>0.117</td>
<td>-4.22E-02</td>
<td>-6.33E-02</td>
<td>-8.12E-02</td>
<td>0.643*</td>
<td>-0.563</td>
</tr>
<tr>
<td>x37d</td>
<td>6.005E-02</td>
<td>-0.298</td>
<td>0.415</td>
<td>-8.01E-02</td>
<td>2.48E-02</td>
<td>0.207</td>
<td>-0.663</td>
<td>0.599*</td>
</tr>
</tbody>
</table>

a. Measures of Sampling Adequacy (MSA)
From the above Anti image correlation matrix it is found that for variable X37a the MSA=0.416 which is <0.50. It does not fulfill the adequacy requirement of having a value of 0.5 or > 0.5 and hence was removed from the analysis and principal components were again computed.

Also for variable X35b, MSA=0.480<0.50 .This was also removed from the analysis and the PCA was run again.

The final principal components resulted from the 3rd iteration.

**STEP 3 OF PCA:**

**KMO AND BARTLETT'S TEST**

| Kaiser – Meyer – Olkin Measure of Sampling Adequacy | 0.638 |
| Bartlett’s Test of sphericity | Approx. chi-Square | 53.137 |
| df | 15 |
| Sig | 0.000 |

**TOTAL VARIANCE EXPLAINED**

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial eigenvalues</th>
<th>Extraction Sums of Squared loading</th>
<th>Rotation Sums of Squared loading</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative</td>
</tr>
<tr>
<td>1</td>
<td>2.583</td>
<td>43.055</td>
<td>43.055</td>
</tr>
<tr>
<td>2</td>
<td>1.213</td>
<td>20.216</td>
<td>63.270</td>
</tr>
<tr>
<td>3</td>
<td>0.852</td>
<td>14.206</td>
<td>77.476</td>
</tr>
<tr>
<td>4</td>
<td>0.705</td>
<td>11.757</td>
<td>89.233</td>
</tr>
<tr>
<td>5</td>
<td>0.412</td>
<td>6.860</td>
<td>96.093</td>
</tr>
<tr>
<td>6</td>
<td>0.234</td>
<td>3.907</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal component Analysis

This table gives Eigen values, variance explained, and cumulative variance explained for the factor solution. The first panel gives values based on initial Eigen values. For the initial solution, there are as many components or factors as there are variables. The “Total” column gives the The “% of Variance” column gives the percent of variance accounted for by each specific factor or component, relative to the total variance in all the variables. Amount of variance in the observed variables is accounted for by each component or factor. The “Cumulative %” column gives the
percent of variance accounted for by all factors or components up to and including the current one. The Extraction Sums of Squared Loadings group gives information regarding the extracted factors or components. For principal components extraction, these values will be the same as those reported under Initial Eigen value The variance accounted for by rotated factors or components may be different from those reported for the extraction but the Cumulative % for the set of factors or components will always be the same. Here the 1 component explains 43.055% if variance and 2\textsuperscript{nd} component explains 63.27% of variance.

**COMPONENT MATRIX**

<table>
<thead>
<tr>
<th></th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>x37d</td>
<td>-0.800</td>
</tr>
<tr>
<td>x35c</td>
<td>0.769</td>
</tr>
<tr>
<td>x37c</td>
<td>-0.739</td>
</tr>
<tr>
<td>x35d</td>
<td>0.638</td>
</tr>
<tr>
<td>x35a</td>
<td>0.619</td>
</tr>
<tr>
<td>x37b</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal component Analysis

a. 2 component extracted

Each number represents the correlation between the item and the unrotated factor.

<table>
<thead>
<tr>
<th></th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>x35c</td>
<td>0.842</td>
</tr>
<tr>
<td>x35d</td>
<td>0.750</td>
</tr>
<tr>
<td>x35a</td>
<td>0.655</td>
</tr>
<tr>
<td>x37d</td>
<td></td>
</tr>
<tr>
<td>x37c</td>
<td></td>
</tr>
<tr>
<td>x37b</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal component Analysis

Rotation Method: Varimax with Kaiser Normalisation

Rotation converged in 3 iterations

The final solution derived by using the PCA is that:
The hike in remuneration is negatively related with attrition since it has higher loading in the component matrix.

Hence we conclude that

II) *The hike in remuneration within an organization does not have any significant impact on attrition.*

This conclusion is supported by the fact that respondents have categorically admitted that most often, counter-offers are not made. In other words, attrition has to be dealt with by measures other than counter offers.

Having performed PCA on the two relevant questions, a brief analysis of the simple combined result of the responses to one of those questions is provided below.

The question taken is ‘Hike in Remuneration alone has led to control of attrition to a major extent at different levels’. With reference to this statement, check whether you agree, disagree or are not sure.

The percentage of responses that fell in each category is given in Table 3

### TABLE 5.2: IMPACT OF REMUNERATION HIKE ON CONTROL OF ATTRITION

<table>
<thead>
<tr>
<th>Hike in remuneration alone has led to the control of attrition to a major extent at different levels</th>
<th>Agree</th>
<th>Disagree</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>At entry level</td>
<td>44.40</td>
<td>47.20</td>
<td>8.30</td>
</tr>
<tr>
<td>At first level</td>
<td>33.30</td>
<td>63.90</td>
<td>2.80</td>
</tr>
<tr>
<td>At middle level</td>
<td>19.40</td>
<td>72.20</td>
<td>8.30</td>
</tr>
<tr>
<td>At top level</td>
<td>13.90</td>
<td>75.00</td>
<td>11.10</td>
</tr>
<tr>
<td>Total of responses</td>
<td>27.75</td>
<td>64.57</td>
<td>7.62</td>
</tr>
</tbody>
</table>

While 27.75% of the respondents have agreed with the statement asked, the majority of respondents i.e. 64.57% have disagreed with the same. A small percentage of 7.62% of the respondents are not sure whether to agree with or disagree with the statement.
Thus, in support of the earlier conclusion based on PCA, it maybe concluded that:

**III) Hike in remuneration alone has not led to the control of attrition to a major extent in the BPO sector.**

The statistical analysis of the data is taken further and presented below.

**5.4e: FINDINGS: USING CHI-SQUARE TEST:**

Similar data has been analysed with the use of the Chi-square test. Questions 36 and 37 have been taken to support the analysis with an alternate statistic based on the frequencies of the responses as shown below.

Q36 directly addresses the most common reason for the attrition observed in that Organization. Q37 questions if hike in remuneration helps an Organization in checking the attrition.

The following table presents a summary of the rankings of various reasons identified to be responsible for attrition as the respondents see it in the perspective of the Organization in question:

**TABLE 5.3: RANKING OF REASONS FOR ATTRITION**

<table>
<thead>
<tr>
<th>REASONS FOR ATTRITION</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal differences at work with boss</td>
<td>11</td>
<td>30.56</td>
<td>2</td>
</tr>
<tr>
<td>Interpersonal differences at work with colleagues</td>
<td>1</td>
<td>2.777778</td>
<td>4</td>
</tr>
<tr>
<td>Better remuneration in another BPO</td>
<td>12</td>
<td>33.33</td>
<td>1</td>
</tr>
<tr>
<td>Better remuneration in any other Industry</td>
<td>2</td>
<td>5.555556</td>
<td>3</td>
</tr>
<tr>
<td>Need to join another Industry for greater prospect</td>
<td>2</td>
<td>5.555556</td>
<td>3</td>
</tr>
<tr>
<td>Higher studies</td>
<td>3</td>
<td>8.333333</td>
<td>3</td>
</tr>
<tr>
<td>Marriage</td>
<td>2</td>
<td>5.555556</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>8.333333</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

The reasons identified to be responsible for attrition have been ranked in the following order:
1. Most important reason: Better remuneration in another BPO

2. Next most important reason: Interpersonal differences at work with boss

3. All equally important reasons: Better remuneration in any other Industry
   (OR)
   Need to join another Industry for greater prospect
   (OR)
   Higher studies

4. Other equally important reasons: Interpersonal differences at work with colleagues
   (OR)
   Marriage

The same data is analysed with the help of Chi square test for the two most important reasons identified to cause attrition.

Chi square test is used here as PCA cannot be conducted on the qualitative data that is collected.

Here are some common reasons for attrition in the BPO Industry. Please rank them in order of applicability with reference to your Organization. (Q36)

The most common reason found from the respondent for attrition is:

'Better remuneration in another BPO'

We assume:

$H_0$: Better remuneration from another firm in the same Industry is not responsible for higher attrition.

$\text{Vs}$

$H_1$: Better remuneration from another firm in the same Industry is responsible for higher attrition.

OR
Ho: There is no significant effect of better remuneration in another industry for higher attrition.

Vs

H1: There is significant effect of better remuneration in another industry for higher attrition.

Crosstab

<table>
<thead>
<tr>
<th></th>
<th>x37b</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agree</td>
<td>Disagree</td>
</tr>
<tr>
<td>x36.4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Better remuneration in another BPO</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>23</td>
</tr>
</tbody>
</table>

Chi – Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2 – sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>8.379a</td>
<td>2</td>
<td>0.015</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>9.262</td>
<td>2</td>
<td>0.010</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 47.

Symmetric Measures

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal by Nominal Contingency Coefficient</td>
<td>0.435</td>
<td>0.015</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

a. Not assuming the null hypothesis

b. Using the asymptotic standard error assuming the null hypothesis.

Since Chi square statistic is significant at 5% and 10% level of significance we reject our null hypothesis and conclude that

IV) ‘Better remuneration in another BPO is most responsible for attrition among employees.’

The contingency coefficient 0.435 indicates a strong relationship between these two variables.'
5.4 d - CHI SQUARE TEST WITH NEXT MOST COMMON REASON FOR ATTRITION

For the Q36, the other reason found to be most common was:

'INTERPERSONAL DIFFERENCES AT WORK WITH THE BOSS'

Based on this response, the Null hypothesis and Alternate hypothesis have been formed as follows:

Ho: Interpersonal differences at work with boss are not responsible for attrition

Vs

H1: Interpersonal differences at work with boss are responsible for attrition

### Crosstab

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>1</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>26</td>
<td>3</td>
</tr>
</tbody>
</table>

### Chi – Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2 – sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7.220(^a)</td>
<td>2</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>7.991</td>
<td>2</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) 4 cells (66.7%) have expected count less than 5. The minimum expected count is 1.00.

### Symmetric Measures

<table>
<thead>
<tr>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal by Nominal Contingency Coefficient</td>
<td>0.409</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>36</td>
</tr>
</tbody>
</table>

a. Not assuming the null hypothesis

b. Using the asymptotic standard error assuming the null hypothesis.
Since Chi square statistic is significant at 5% and 10% level of significance we reject our null hypothesis and conclude that

V) **INTERPERSONAL DIFFERENCES AT WORK WITH BOSS IS RESPONSIBLE FOR ATTRITION**

The contingency coefficient 0.409 indicates a fairly strong relationship between the two variables.

To view the matters in perspective, the findings of the various statistical analysis conducted are listed below in the following section.

**5.5: SUMMARY OF THE FINDINGS**

Based on the two statistical tools PCA and Chi-Square Test, the following major conclusions are derived:

1. Attrition exists in the BPO sector and this is in high proportion particularly at the entry level.
2. The hike in remuneration within an organization does not have any significant impact on attrition.
3. Intra sector movement of human resource is the major cause of attrition.
4. Better remuneration in another BPO is most responsible for attrition among employees.
5. Interpersonal differences at work with the boss is also responsible for attrition.

The five conclusions reiterate that the BPO Sector faces a problem related to attrition particularly at the entry level. Further, the findings reveal that higher remuneration in another BPO tempts employees to change jobs frequently. It follows from this, that if Intra-Industry movement is reduced, the salaries in this Sector are likely to stabilize and the fear of losing profit margins can be addressed to a large extent.

The study has also tried to review the efforts made by the BPO Companies to attract suitable employees and also to retain them. It also attempted to probe to see if the Companies have been making any special efforts to contain attrition. This is discussed in the section that follows.
5.6 STEPS TO CHECK ATTRITION

There are two essential aspects of controlling attrition in an Organization. These are:

1) **Monitoring employee satisfaction**:

Employment Engagement Rating or EER is a test that measures the level of employee satisfaction in an Organization. One of the questions asked in the survey was if the Company concerned conducted any Employment Engagement Rating. The EER is used by the HR Department to estimate the possible turnover in the future. EER is done in a rather discrete manner and questions are asked from a psychological perspective. It is designed professionally to capture issues like employee frustration, dissatisfaction, unrest or satisfaction and contentment. However, although most of the respondents did agree to conduct EER through professional agencies, a majority of them were reluctant to share the ratings. It was only shared in cases where the EER was more than 80% which is indicative of high employment satisfaction.

2) **Rewards and Recognition Program**

Another way to judge if the BPO Sector has been treating its employees well or not, is the Rewards and Recognition program, better known as RR in the BPO jargon. At times, RR in this Sector is an elaborate program and can be the most crucial factor in attracting the right talent into the Organization. This is particular relevant as the BPO Sector, being rather young, is often found competing for the same pool of experienced few, particularly as we move up the Organizational hierarchy. Further, in case of Campus selections, the best of the talent is the main attraction for all the Companies. This is mainly because the brighter lot will translate into lower training costs as they are expected to be quicker in learning. Also, this lot can be expected to deliver better results, which in turn translates into more business and better profits in due course. It is pertinent to mention at this juncture, that it is here that the present Education System has a major role to play and can make a phenomenal difference in expanding the available talent pool.14

An open ended question on the R&R Program in the BPO Sector revealed some major facts. These are presented in detail below in Exhibit 1 and 2.
Source: Research conducted by the author.

A study of all the R&R Programs of the respondents of the survey reveals that there are broadly four types of categories of rewards:

1) Regular Rewards
2) Special Rewards
3) Entertainment
4) Recognition of family members
Each of these four has several sub categories. Of all these, the most popular rewards being offered by some important players in the BPO Sector are:

Special rewards, cash rewards, monthly rewards and yearly rewards.

The Company responses of RR Programs being followed has been given below in Exhibit 5.2.

**EXHIBIT 5.2: REWARDS AND RECOGNITION - II**

*Source: Research conducted by the author.*
The four categories of rewards are seen as essential rewards by almost all Companies. However the most popular ones are the ‘special rewards.’ For instance a major player like Genpact offers special awards such as the ‘Platinum award’ for outstanding contributions to the Organization. This is given in a pre decided venue where the winners are allowed to take their partner on an ‘all expenses paid trip’. The venue is usually a holiday abroad in a location like Barcelona, Spain. Similarly another Company offers the ‘Aditya Birla Awards’ for outstanding performance. In some Companies, it is a practice to offer ‘Stock options’ for a selected few in recognition of their meritorious services. Another Company gives the ‘Golden Voice Award’ for employees who are in the voice based processes. Yet another Company has a ‘WOW Award’ for someone who has exceeded the expectations. Such rewards and awards are taken as great boosters to work in an Organization. The feeling of getting noticed when extra efforts have been put keeps employees from leaving an Organization.

Similarly ‘Cash Rewards’ are always preferred by employees. In some cases even if the salary scales are below the Industry benchmark, there may be the attraction of a large cash reward for meeting expectations or exceeding them.

Over and above these, there are the ‘Spot awards’ which are usually in cash or kind. In many Companies, these awards are offered by the clients who may wish to express their appreciation for an exceptionally tactful service by a Call Centre Agent in addressing a customer’s complex problem.

The nature of the rewards is varied and differs with the imagination and innovations of the HR team in the Organization. However across the Sector, there appears to be a practice of organizing several ‘fun events’ throughout the year. Usually these are clubbed with ‘religious festivals followed in India or in the Client country’, for instance, celebrations during Diwali or Thanksgiving day. This is extended to frequent parties over weekends, celebrations for meeting some targets by an entire team or simply birthday bashes. The reasons could be many, but enjoyment and entertainment is practically a ‘given’ in the BPO sector. It is often said in this Sector, that one should ‘work hard and party harder’. It is not uncommon that employees are taken out on weekends for short tours where several events are organized including games, competitions, talent shows and dinner parties. Many of these events are
designed with a view to unwind from a hectic work schedule during the week and also
to build a team spirit. Thus Entertaining events are something practically all BPOs
organize as a general practice. This acts as a great attraction for young talented people
to join this Sector.

Further, many BPOs are quite sensitive to the fact that the well being of their
employee is deeply linked to the well being of their families. They hence device
innovative programmers where the family of all employees are involved. There are
several benefits of this. Firstly the families tend to understand what life in a BPO is
like and hence become more understanding. Besides, in case of women employees,
many apprehensions of parents and other family members are cleared and put matters
in perspective. Thirdly, in case of very young graduates or high school pass outs,
there is great sense of pride and social acceptance that is felt when family members
recognize the worth of hard work that is put in while working in a BPO.

All these measures have become an integral part of the BPO. In other words the BPO
Sector as a whole goes an extra mile specially to keep their employees pleased or
amused. In the words of one of the respondents, ‘We have spoilt our employees
rotten’. Despite all these R&R programmes, the BPO Sector is seen to face among
the highest attrition rates witnesses in most growing Sectors in India. Thus many
Organizations have actually been working hard to develop new and innovative
programmes to check attrition in their Organization. This is presented below in
Exhibit 5.3.
EXHIBIT 5.3: SPECIAL MEASURES TO CHECK ATTRITION

<table>
<thead>
<tr>
<th>INTERNAL GROWTH (5)</th>
<th>• Internal growth path clearly defined.</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPRAISALS (7)</td>
<td>• Market based compensation package.</td>
</tr>
<tr>
<td></td>
<td>• Best in class compensation, top performers win trips to the US, fast track growth</td>
</tr>
<tr>
<td></td>
<td>• Annual benchmarking of salaries and incentives</td>
</tr>
<tr>
<td>PROGRAMS (3)</td>
<td>• Leadership program</td>
</tr>
<tr>
<td></td>
<td>• Twenty in-house programs plus external workshops</td>
</tr>
<tr>
<td>SUPPORT ACADEMIC PURSUITS (3)</td>
<td>• Tie up with IIMs, ICFAI etc., 70% of fees reimbursed after clearance of exams in the first attempts</td>
</tr>
<tr>
<td>INTERNAL TRAINING (4)</td>
<td>• Personality Development</td>
</tr>
<tr>
<td></td>
<td>• Management training for first time managers</td>
</tr>
<tr>
<td>HR MEASURES (10)</td>
<td>• Strong HR team dealing with 150-200 issues, Health insurance, Cashless treatment, Birthday bashes, Family events etc.</td>
</tr>
<tr>
<td></td>
<td>• Employee feedback</td>
</tr>
<tr>
<td></td>
<td>• Encourage open communication and work life balance</td>
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<td></td>
<td>• Detailed Exit Analysis and offer for mobility abroad</td>
</tr>
<tr>
<td></td>
<td>• Open Door Policy and family like environment</td>
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<tr>
<td></td>
<td>• Include families for celebrations</td>
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<td></td>
<td>• Cross functional teams</td>
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<tr>
<td></td>
<td>• Retention policy—stay 9 months and get promoted</td>
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<tr>
<td></td>
<td>• Longevity Allowance</td>
</tr>
<tr>
<td></td>
<td>• Fine tuning employment engagement programs</td>
</tr>
<tr>
<td>SPECIAL FACILITIES (4)</td>
<td>• Gym, Recreation Room, Onsite ATM service, florist, laundry, movie tickets on call</td>
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<tr>
<td></td>
<td>• Counsellors on Call</td>
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<tr>
<td></td>
<td>• Transport, Food and Night shift allowances</td>
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<td></td>
<td>• Long term Retention Scheme</td>
</tr>
<tr>
<td>ATTRITION CONTAINING STEPS (3)</td>
<td>• Daily process wise review of attrition and suitable steps</td>
</tr>
<tr>
<td></td>
<td>• Frequent review</td>
</tr>
<tr>
<td></td>
<td>• Shifting to tier 3 cities and part time appointments</td>
</tr>
</tbody>
</table>

Figures in brackets represent number of responses.

Source: Research conducted by the author.
As seen from Exhibit 5.3, several measures have been designed specially to keep a check on Attrition. Companies have practically bent backwards to satisfy their employees. The measures range from a simple one like providing ATM facilities and Gymnasiums within the Office premises to as major as sponsoring employees for higher studies in premier Institutions in India and abroad. When observed closely, it can be seen that there are very few other Industries which provide the kind of facilities that the BPO Sector does to its employees. No doubt the stress levels are also much higher at times in BPO jobs. Nevertheless, the management is indeed making an effort to generate a ‘feel good’ factor among employees in all the aspects mentioned above. Despite this, Attrition and human resource shortfall do haunt this Sector. Thus it is the need of the hour to view this Sector from a holistic perspective and improve the system wherever necessary. These measures maybe at micro level or at macro level but taking steps in the right direction is imperative.

Based on the personal interviews with many Senior members of HR Departments of the respondent Companies, the present research would like to stress that ‘recognition of family’ is observed as a very positive step to curtail attrition. India is a country where the ‘family’ is a close knit unit unlike the advanced western countries. Despite the fact that slowly this phenomenon is seen to be on the decline, it is observed that ‘recognition of the family’ is taken very approvingly by the employees. In particular, this helps in encouraging employees to treat the BPO Sector job as a long term career. Also if the policies of a Company are designed ingeniously, the Company can succeed in retaining employees within for a good length of time. It is necessary to highlight here that the BPO Sector has virtually given the ‘large young graduate workforce’ of India a new status and sense of pride. It cannot be denied that higher income also brings with it the ability to afford comforts and luxuries such as mobiles, MP3s, laptops, trendy clothes, accessories and so on. In fact, as employees stay on for a few years in the Sector the list of purchases expands to include high end laptops, cars and even comfortable houses. All these are a reflection of an improving standard of living in the country as a whole.

However money can also bring with it habits such as late night parties, indulgence in unhealthy practices such as smoking, drinking and a general tendency to be spend thrifts. Some of these come from the pressure of peer acceptance.
Here a point to note is that, one of the respondents during a personal meeting mentioned that ‘the Industry needs to educate its young staff about developing healthy financial planning’. It was also mentioned that in that particular Company, there is a practice to invite ‘Investment advisors’ to educate the staff on ‘thrift’ and ‘wise investments’ when the going is good. This will help in facing contingencies arising out of any downturn faced by this Sector. This is exemplified by the recent episode of Satyam Computers. Similarly the same Company also invites ‘Health experts’ regularly to talk to staff about maintaining good health and following healthy practices on a daily basis. Such measures may seem insignificant; however these are actually quite crucial in making the employee have a sense of well being. This feeling of security in working for such an Organization may go a long way in keeping ‘Attrition’ under check.

Personal interviews with senior HR executives have revealed that many insiders too feel that HR practices in India use the policies of Captive BPOs as a yardstick. Captives are generally guided by their Parent Companies abroad. Whereas, HR Policies in BPOs need to be fine tuned in the perspective of India’s socio-cultural background. One VP-HR of a Bangalore based BPO strongly expressed that this Sector has literally been wooing its employees for long enough and must now take strong measures to curtail ‘Attrition’. Further it was also suggested that there is a need to put a full stop to the ‘increments’ that are associated with the appraisals, if not reduce the remuneration levels. In fact, during the present recession, many Companies are practicing ‘wage-cuts’ to overcome the crisis. The researcher opines that this suggestion does make profound economic sense. At the micro level; such a measure would probably hurt the sentiments of the employees of the Company that implements this measure. However, at the macro level, when the BPO Sector as a whole follows this practice, in all probability, these are likely to have the following results:

- The expectations of employees may stop rising disproportionately to their output in the Organization.

- Slowly, this may bring down the threshold level of frustration among employees on non receipt of promotions or raise. This in turn could temper down the anxiety to jump jobs for a few hundreds or thousands. It may rather inculcate a greater sense of loyalty to the Organization employed in.
• This in turn could bring down attrition, reduce training costs and bring greater stability in the BPO Sector as a whole.  

In the long term, Organizations can chalk out their Plan of action better and aim at improving performance and profits. Such a win-win situation increases the overall benefit to the economy. Further a stable and steadily growing Sector in any economy becomes an attraction for well qualified and talented job seekers. This may slowly boost the supply of human resource to the BPO Sector and reduce the disequilibrium between demand and supply of manpower.

This suggestion is supported by more than two dozen personal interviews with senior HR specialists associated with the BPO Sector. The majority of them opined that within a matter of a couple of years, the salary levels in this Sector will start to plateau but may not decline. However every one of them clearly suggested that the salary hike cannot continue at the present average rate of about 15% across the Sector. This, according to most of the Companies, is an unsustainable hike considering that neighboring countries such as China, Philippines, Malaysia, Thailand and the like are making efforts to improve the ‘employability’ of their work force in terms of language and other skills.

It has already been seen in Section 5.2, as to what causes attrition in an Organization. It is also highlighted how Attrition can increase ‘Direct’ and ‘Notional costs’ to an Organization. Further it is seen in Section 5.6, how various Companies have been striving to reduce attrition through RR Programs as well as Special Attrition containing measures. Thus, based on primary data gathered from the BPO Sector, secondary findings as well as personal interviews, the present research offers the following suggestions that may directly as well as indirectly help check ‘Attrition’ in this Sector. These are:

**Recommendations to reduce ‘Attrition’ in the BPO Sector:**

1. Industry best practices with reference to R&R programs need to be popularized through appropriate Vertical wise studies.

2. BPO Companies who are members of Nasscom could deliberate over ‘implementation of bonds and No-Poach Agreements’ on a greater scale.
3. Discourage media from hyping negative stories or random incidents of
security lapses. Media is often seen to associate a number of events which
maybe unrelated to the BPO Sector per se by point a finger at this Sector.
Media reports that the BPO is responsible for causing several unfortunate
incidents such as murder, theft and physical abuse particularly due to night
shifts. It is seen that several such incidents that may occur in other Sectors are
often ignored as solitary cases. However the BPO Sector is never spared and
given undue negative publicity on such matters.

4. Encourage long distance education along with work. This is discussed in
greater detail in the following Chapter.

5. Introduce sabbatical leave programme as a reward for longevity of service.

6. Attract employees from various age groups. This will expand the base of
available talent pool. At present BPO jobs are perceived as jobs for the fresh
college graduates largely. There is a need to tap talent from Bank employees
who have opted for VRS, homemakers looking for a change, ex-servicemen,
people who are bored of working in the same Organization and are also keen
on a change and many more. Employees from varied backgrounds and a cross
section of age groups will add color, give fresh ideas and help in leveraging
the experience of different people who may have seen the ups and downs of
several Industries. This could keep attrition in check.

7. As a Policy select candidates from weaker economic background. Initially this
maybe started at least for the back office processes as well as non-voice
processes. However slowly this can be extended to the front office and Voice
processes too.

8. Regular health checkups particularly to avoid disorders related to the eye,
digestive system, sleep disorders.

9. Formulate specific policies to reduce stress levels at work. This needs a
detailed internal study of an Organization by a team consisting of a few senior
HR Executives, Top management members and one/more counselors. Here the
idea should be to encourage transparency and free communication among
employees. The ‘appraisal policy’ must be very explicit leaving no room for ambiguity. The steps to be taken are likely to differ from case to case. Infact there may be different measures in different divisions of the same Organization.

10. Across the Sector, yardsticks for promotions particularly as ‘Team leaders’ and ‘Managers’ need greater sensitization. Meeting targets and better measurable alone must not be seen as the criteria for going up the ladder. There is a need to widen the perspective and include other aspects to judge performance. This includes factors such as ‘group acceptance’, ‘creating a team spirit’, ‘a sense of security’ and ‘general well being’ among colleagues. This has special relevance to the second most common reason found for attrition from the data shared by the respondents i.e. ‘interpersonal differences with boss at work’. It is commonly said that ‘when an employee quits an Organization, he is actually quitting the boss’.

11. Introduce job rotation across processes. This is particularly necessary in case of night shifts. Even in other cases a rotation policy can help overcome what is referred to in the Industry as BOSS or the ‘burn out stress syndrome’. Monotony of processes can silently accentuate stress and dampen an employee’s enthusiasm to perform well. There are cases when the type of calls that a CSR answers are almost identical for a prolonged period of almost a year or more. Listening to the same kind of questions for almost 24x7x365 could be a painful experience.

12. Adopt a Policy to appoint full time counselors in the Organization

13. Introduce schemes encouraging financial prudence such as contributory savings schemes.

In a nut shell, attrition needs to be dealt with from a holistic perspective by the stakeholders keeping in mind the socio-cultural backdrop of the Indian workforce. There is a need to evolve a culture of better HR practices in the entire BPO Sector. In entire earnest, the long term benefits of a growing Sector should not be marred by the existence of an HR bottleneck in such as attrition.
5.7 **CONCLUSION**

The current Chapter has analyzed Attrition in the BPO Sector from various perspectives. Section 5.2 has presented a theoretical understanding of attrition. The next Section has thrown light on the methodology used in the study to analyze the data gathered from the primary source. Section 5.3 draws conclusions based on the findings from the data that is analyzed. It is seen that Attrition does exist in this Sector at all levels of employment and in higher proportion at the entry level. Further, the major cause for attrition is the intra Industry movement of employees. The next most prominent reason is the employee's interpersonal differences with the boss.

The Section that follows highlights the important rewards and recognition programmes followed by Companies. It also gives a list of the special measures taken to control attrition.

Finally, the study focuses on identifying some of the Industry best practices in controlling attrition and also brings to light, some major gaps in the system. The study draws up some suggestions and recommendations of the present research which may support efforts to reduce attrition.

Having elaborated upon the issue of Attrition the next pertinent questions that come up in the study of the BPO Sector are that if attrition is a problem that saddles Organizations, then how do these Organizations manage their growing human resource needs? What do the trends in work force entering this Sector tell us? Are the Organizations able to address their human resource and talent acquisition needs effectively? Is the market trend of available candidates adequate to meet the growing demand of the BPO Sector?

These issues have been dealt with in the following Chapter. The concluding chapter addresses these gaps and brings up some crucial recommendations to deal with these problems that the BPO Sector and other stakeholders need to focus on. This will augment the Industry's continued growth in the long run. This is could be of high relevance to India in the context of the growing competition from the rest of the world. It is essential that the Indian economy should maintain its comparative advantage to retain its position as the most sought after global destination in the BPO-ITES/IT space for a long time in the future.
This was expressed by Sen, as a part of keynote address at ‘India Leadership Forum’ in Mumbai on February 7, 2007 organized by NASSCOM.

This is discussed in detail along with the breakup of index in the following chapter.

This is a sensitive expense which is seen in the Sector as a double edged sword. In case there is a drop out, the ‘direct costs’ on the buffer is well worth having incurred, but the cost of training the staff who ‘dropped out’ is a wasteful expense. In case there is zero drop out, the ‘buffer staff’ becomes a burden to carry, with no specific roles to fit into. However when there is a pressure to start a process for a customer urgently, such expenses become imperative. During a lean period, this cost is often avoided.

See www.cnnibnlive.com Oct 15th 2006, ‘BPO’s in India face high Attrition’

See www.bostonwork.com. HR Centre report.


The researcher has come across a case where an employee of a Captive Insurance Service Centre, had attempted suicide several times while on the job. A deeper investigation into the case revealed that the employee had suffered depression due to constantly listening to calls about ‘death’. It was recommended by a Counselor that in such cases ‘job rotation’ had to be implemented.


The researcher reached this conclusion after several meetings with senior executives serving in this Sector in decision making positions.


The attrition rate is usually very high after the appraisals. Companies use different methods to calculate attrition depending on the purpose of use. During incentives time, often the post-appraisal period figures are projected. Whereas during Board meetings the pre appraisal figures are used.

Section 6.6 of the following chapter is devoted entirely to it.

Genpact the largest BPO in India as of last few years was the only company that participated in the study through the corporate communication department. Other companies have shared details of measures but the same will remain undisclosed in the present study.

Here it is pertinent to mention how the VP-HR of a Chennai based BPO shared that one their new recruits was the son of a sweeper and that the parents shed tears to see their child working in a very plush Office and being treated with great dignity. They also mentioned proudly about how the parents had bought new clothes to attend the Induction program of their son, where they were also invited.

It needs special mention that due to the unwillingness of the respondents to share any financial information, the researcher has faced difficulties in estimating the precise cost of training or cost of special measure taken to tackle attrition.

This is practiced by a Mumbai based respondent in the Healthcare Vertical. The VP-HR shared that the choice of women who were willing to work from home was quite satisfactory and hence a successful decision.

This existed in a respondent Company located at Bangalore. Here the savings scheme was made attractive by initially collecting a small token savings. The amount accumulated by the firm was returned to the employee at the end of the year with equal contribution. In case the employee continued for the next year the Company’s contribution would double at the end of the second year. This value would increase progressively as the employee stayed longer. Eventually this would prove to be a major reward for longevity.