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Impact on Factors of Employee Attrition in the Profit and Non-Profit Organization

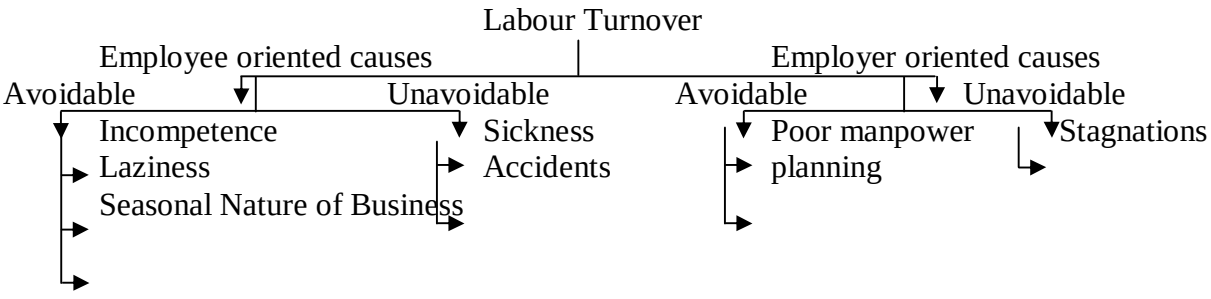
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ABSTRACT

Labour turnover refer to the rate of change in the work force of an enterprise during the given time period.In any organization certain number of employees leaves their jobs every year due to various reasons. To fill up these vacancies and to meet the need for additional hands, certain number of employees may be appointed. Thus, if one compares the number of employees in the beginning of the year in a concern with that at the end of the year, one may find a discrepancy. Labour turnover is only concerned with this rate of change in the workforce.Certain employees do change their jobs owing to social and economic considerations. Labour Turnover is either normal or excessive. It is normal if it is within 5%. Normal labor turnover arises out of certain unavoidable causes and the management need not worry about it.

1. INTRODUCTION

Employees either leave a company on their own or they are terminated. Therefore, labour turnover arises due to avoidable and unavoidable reasons. Labour turnover due to the fault management is considered avoidance.



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2. EMPLOYEES TURNOVER IN THE IT INDUSTRY

The time, costs an effort that managers put into recruiting talented employees can require a full time position. In order to make this effort effective, managers need to understand industry issues with recruiting and retaining employees, the member can then develop strategies designed to decrease the costs incurred by so many IT businesses. By actively practicing the strategies illustrated in this booklet, the manager can successful decrease turnover rate to below their industry standard. In essence, they will be able to increase the profit margin by maintaining a consistent workforce.

HIGH AND LOW TURNOVER

High turnover often means that employees are unhappy with the work or compensation, but it can also indicate unsafe or unhealthy conditions, or that too few employees give satisfactory performance (due to unrealistic expectations or poor candidate screening). The lack of career opportunities and challenges, dissatisfaction with the job-scope or conflict with the management has been cited as predictors of high turnover.
Low turnover indicates that none of the above is true: employees are satisfied, healthy and safe, and their performance is satisfactory to the employer. However, the predictors of low turnover may sometimes differ than those of high turnover. Aside from the fore-mentioned career opportunities, salary, corporate culture, management's recognition, and a comfortable workplace seem to impact employees' decision to stay with their employer.

INTERNAL AND EXTERNAL TURNOVER

Like recruitment, turnover can be classified as 'internal' or 'external'. Internal turnover involves employees leaving their current positions and taking new positions within the same organization. Both positive (such as increased morale from the change of task and supervisor) and negative (such as project/relational disruption, or the Peter Principle) effects of internal turnover exist, and therefore, it may be equally important to monitor this form of turnover as it is to monitor its external counterpart. Internal turnover might be moderated and controlled by typical HR mechanisms, such as an internal recruitment policy or formal succession planning.

SKILLED AND UNSKILLED EMPLOYEES

Unskilled positions often have high turnover, and employees can generally be replaced without the organization or business incurring any loss of performance. The ease of replacing these employees provides little incentive to employers to offer generous employment contracts; conversely, contracts may strongly favour the employer and lead to increased turnover as employees seek, and eventually find, more favorable employment.
However, high turnover rates of skilled professionals can pose as a risk to the business or organization, due to the human capital (such as skills, training, and knowledge) lost. Notably, given the natural specialization of skilled professionals, these employees are likely to be re-employed within the same industry by a competitor. Therefore, turnover of these individuals incurs both

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replacement costs to the organization, as well as resulting in a competitive disadvantage to the business..

SOURCES OF EMPLOYEE TURN OVER

The following are the important sources of employee turnover;

JOB RELATED FACTORS

There are several reasons why people quit from one organization to another or why people leave organization. The experience of job related stress (job stress), the range factors that lead to job related stress(stressors), lack of commitment in the organization; and job dissatisfaction make employees to quit. This clearly indicates that these are individual decisions which make one to quit. They are other factors like personal agency refers to concepts such as a sense of powerlessness, locus of control and personal control.

3. ORGANIZATIONAL FACTORS

Organizational instability has been shown to have a high degree of high turnover. Indications are that employees are more likely to stay when there is a predictable work environment and vice versa. In organizations where there was a high level of inefficiency there was also a high level of staff turnover. Therefore, in situations where organizations are not stable employees tend to quit and look for stable organizations because with stable organizations they would be able to predict their career advancement. The imposition of a quantitative approach to managing the employees led to disenchantment of staff and hence it leads to labour turnover. Therefore management should not use quantitative approach in managing its employees. Adopting a cost oriented approach to employment costs increases labour turnover.

OTHER FACTORS

There can be other causes for people leaving their current jobs. Some of these include:

- **Ambitions or Career Aspirations:** It is but natural in a growing society and growing economy that employees at all levels aspire to build their career. There are economic aspirations, professional aspirations, family aspirations and all kinds of aspirations and ambitions that affect a person's desire to move. It is rare not to have such career aspirations. In the past, organizations grew at a pace and stability and individuals mostly saw their career in the current organization and stuck to the same.
- **Comparisons and Equity Considerations** Comparisons with peers or classmates from the same college, batch, age group, organization, first job, city, etc. there are numerous dimensions on which similarities can be picked up and compared. Individuals today are flooded with such comparisons. Business magazines, compensation surveys by consultants and companies have only aggravated this situation and enhanced comparisons.

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Organizations in their zeal to compete with one another in the market places commission such compensation surveys and further fuel the situation instead of controlling it.

- **Parental and family mobility;** Sometimes the desire to be with the closed ones also pushes the person to move. Although we have largely moved away from the joint family concept, there are still strong affiliations and affections. Need for being close with the family, spouse, children, parents etc. at different stages of one's life to fulfill different types of affiliation needs prompt a few people to leave their jobs and move from one city to another.
- **Personality factors:** Some people have a high need for variety. They get bored and fatigued easily. They need to change their job or what they are doing at periodic intervals. Otherwise they are restless and create morale problems with others working with them. They waste others time discussing organizational politics and polluting the atmosphere. Some people are constantly searching and seeking. They are highly ambitious and restless. They are highly achievement driven and want to achieve new heights in the shortest time. They have either been socialized so or fulfill their own power or other motives. Some may have a different motivation or value profile which may not be matched by the current job or the company and hence the decision to leave.
- **Job related factors:** The job related factors that cause the decision to leave are many these include the following:

    - Inability to use ones' competencies
    - Lack of challenge
    - Boss and his styles
    - Lack of scope for growth in terms of position' salary, status and other factors
    - Role clarity
    - Job Stress or role stress or role stagnation
    - Lack of independence or freedom and autonomy
    - Lack of learning opportunities
    - Lack of excitement and innovation, novelty etc. in the job

Costs related to attrition: One of the best methods for calculating the cost of turnover takes into account expenses involved to replace an employee leaving an organization. These expenses are:
A. Recruitment cost The cost to the business when hiring new employees includes the following six factors plus 10 percent for incidentals such as background screening:

- Time spent on sourcing replacement
- Time spent on recruitment and selection
- Travel expenses, if any
- Re-location costs, if any n Training/ramp-up time
- Background/reference screening
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Training and development cost To estimate the cost of training and developing new employees, cost of new hires must be taken into consideration. This will mean direct and indirect costs, and can be largely classified under the following heads:

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- Training materials
- Technology
- Employee benefits
- Trainers' Time

Administration cost They include:

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

Effects of Employee Turnover

Excessive employee turnover in any organization has the following adverse effects:

1. **Flow of work gets affected**: Frequent changes in the work force affect the smooth flow of work. As a result, the enterprise may not be able to adhere to its plan.
2. **Increase in cost of operation**: Recruitment of new employees, giving them training and all such activities involves additional expenditure. This results in increase in cost or operation.
3. **Low level of efficiency of the new recruits**: The level of efficiency of the new employees tends to be low. This is because the new employees take time to settle down. They may not pick up things fast. What can normally be done in an hour may be done in a day. This results in loss of time.
4. **Reduced output**: Higher rate of employee turnover results in reduced output. This happens due to two reasons. First, there is delay in recruiting new employees. As a result, there is loss of man-hours. Secondly, the new employees may not be as efficient and effective as the old employees were.
5. **Quality of work suffers**: The new employees may not initially possess the skill with which the old employees worked. This would affect the quality of work.
6. **Affects goodwill:** in the competitive world high employee turnover affect image of the IT Industry,
7. **Higher cost of supervision:**The new employees need close supervision. This is because they may require the help of the supervisors often. The supervisors also need to ensure that the new recruits do not make blunders. This necessitates the deployment of more supervisors and thereby increases the cost of supervision.
8. **Increase in cost of production:**Loss of man-hours, reduced output, recruitment and training costs, loss due to improper handling of computers and all such factors lead to higher cost of production.

MEASURES OF EMPLOYEE TURNOVER

The following factors adopted into reduce employee turnover in Information Technology Industry

1. **The revision of the salary:** Most of the IT industries are situated in capital cities and obviously the employer too afford cities for their living. So due to the cost of living the revision of salary is necessary to meet the needs.

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2. **Reduced work pressure:** In the current scenario the employees are suffered with work load which creates work stress and because of this stress they may quit and proposed to join in a new company, where they feel comfortable, so the management should reduce the work load.
3. **Flexible working time:** Depending upon the personal problem employee should be given a choice to choose their flexible working time.
4. **Work environment:** Work environment includes not only the sophisticated office room, it also mean the positive relation with the superior and the cordial and team spirit with the co-workers.
5. **Job security:** Most of the employees in the IT industry are working in contract and temporary basis, so if the company is able to provide their job security, they may not leave from the company.
6. **Assignment of suitable project:** one of the reason for employee turnover is, the management lack in identifying the apt person for the apt project. When the wrong project given to a person he may feel guilty and it can leads in quitting of present job.
7. Career development of the employee: The management never alone workers on their development, they should also emphasis on the career development of the employee. The management can provide training programs or help them in gaining higher education to make them update to meet the current technology
8. Promotion: In most of the IT industry promotion is given on the basis of seniority, the meritorious or skilled employees are not considered for promotion. So they may feel awkward and it can create a negative effect on their personality which also affects their skill.
9. Challenging job: The deserving employees may feel boring in doing repetitive projects, so they should be identified and trusted with a challengeable job for innovative productivity which can engage them fully.
10. Communication: Communication is important in creating relationship, so they should be a healthy communication between the employer and employee.

4. CONCLUSION

Turnover is burning issue for any type of organizations for the steady productivity of an organization it is essential to maintain its skilled workforce. There are many factors that affect turnover. Satisfactory salary helps to reduce turnover though job security also an important issue too. An employee does not stay in an organization only for salary but he/she may stay for many other reasons such as, rearranging employees, good stream relation, better working environment, preferable job location etc.

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