Attrition & HR Initiatives in INDIAN ITES BPO Industry

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Abstract

**Manuscript Type:** Conceptual

**Research Question/Issue:** This paper analyses the factor affecting the attrition from HR perspective.

**Research Findings/Insights:** Based on the attrition rate of some of the major IT companies, the problem is treated as HR issue but it should be treated as business problem.

**Theoretical/Academic Implications:** This paper adds to the conceptual literature of on the relation between attrition rate and HR policies. An implication of this study is the HR policies of the IT companies is not appropriate for keeping the attrition rate low.

**Practitioners/Policy Implications:** This conceptual paper demonstrates that the HR policies of the companies are inefficient in keeping the attrition rate low for this sector. This study offers insight into the attrition rate with respect to the HR policies.
Summary

Business Process Outsourcing is the delegation of one or more IT intensive business processes to an external provider that in turn owns, manages and administers the selected processes based on defined and measurable performance criteria. Some of the economic justifications one can understand for this sector to emerge and flourish include less dependence on internal resources, achieving cost effectiveness in conducting business processes, concentration on core businesses only, obtaining the benefits of specialisation and division of labour.

India has emerged as one of the most favoured and low cost destination for BPO. With its skilled engineering and scientific personnel it has achieved phenomenal success within two years of the inception of the sector. The sector is growing at an average annual rate of above 40%.

Some of the leading processes being conducted by Indian BPOs include
- Customer support services
- Telemarketing
- Technical support services
- Data Entry and data management services
- Insurance support services.
- KPOs

The leading EMPLOYERS OF Indian BPOs include
- T.C.S
- Infosys technologies
- Wipro technologies
- Satyam COMPUTER SRVICES
- H.C.L

The distinct features of the BPO industry and its employees are the following:
- When the rest of the India sleeps this sector works.
- People join BPOs very easily as the entry level qualifications are not well regulated by the industry.
- Pre job training has no standard curriculum.
- The industry has no bench marks to look for compensation and other benefits. Each one follows its own course
- Customer or client companies demand more than what their own departments could achieve.
- The majority of the work force of the sector is in the age group of 20-30 years
- The industry does not enjoy a high brand equity
- The employees are called the gold collared workers may be due to the work environment offered to them.
Employee benefits provided by majority of Indian BPOs

- ** Provident Fund**: As per the statutory guidelines, the employee is required to contribute a percentage of his basic salary and DA to a common fund. The employer for this fund contributes as well. The employee can use the amount deposited in this fund for various personal purposes such as purchase of a new house, marriage etc.
- ** Gratuity**: Gratuity is one of the retri benefits given to the employee in which the employer every year contributes a particular amount. The fund created can be used by the employee for the purpose of long-term investment in various things such as a house etc.
- ** Group Mediclaim Insurance Scheme**: This insurance scheme is to provide adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy in case of female employees or spouse of male employees. All employees and their dependent family members are eligible. Dependent family members include spouse, non-earning parents and children above three months.
- ** Personal Accident Insurance Scheme**: This scheme is to provide adequate insurance coverage for Hospitalization expenses arising out of injuries sustained in an accident and covers total / partial disablement / death due to accident and due to accidents.
- ** Subsidized Food and Transportation**: The organizations provide transportation facility to all the employees from home till office at subsidized rates. The lunch provided is also subsidized.
- ** Company Leased Accommodation**: Some of the companies provide shared accommodation for all the out station employees, in fact some of the BPO companies also undertakes to pay electricity/water bills as well as the Society charges for the shared accommodation. The purpose is to provide to the employees to lead a more comfortable work life balance.
- ** Recreation, Cafeteria and ATM facilities**: The recreation facilities include pool tables, chess tables and coffee bars. Companies also have well equipped gyms, personal trainers and showers at facilities.
- ** Corporate Credit Card**: The main purpose of the corporate credit card is enable the timely and efficient payment of official expenses which the employees undertake for purposes such as travel related expenses like Hotel bills, Air tickets etc
- ** Cellular Phone / Laptop**: Cellular phone and / or Laptop are provided to the employees on the basis of business need. The employee is responsible for the maintenance and safeguarding of the asset.
- ** Personal Health Care (Regular medical check-ups)**: Some of the BPO'S provides the facility for extensive health check-up. For employees with above 40 years of age, the medical check-up can be done once a year.
- ** Employee Loans**: Many BPO companies provide loan facility on three different occasions: Employees are provided with financial assistance in case a medical emergency. Employees are also provided with financial assistance at the time of their wedding. And the new recruits are provided with interest free loans to assist them in their initial settlement at the work location.
• **Educational Benefits**: Many BPO companies have this policy to develop the personality and knowledge level of their employees and hence reimburse the expenses incurred towards tuition fees, examination fees, and purchase of books subject, for pursuing MBA, and/or other management qualification at India's top most Business Schools.

• **Performance based incentives**: In many BPO companies they have plans for, performance based incentive scheme. The parameters for calculation are process performance i.e. speed, accuracy and productivity of each process. The Pay for Performance can be as much as 22% of the salary.

• **Flexi-time**: The main objective of the flexitime policy is to provide opportunity to employees to work with flexible work schedules and set out conditions for availing this provision. Flexible work schedules are initiated by employees and approved by management to meet business commitments while supporting employee personal life needs. The factors on which Flexi time is allowed to an employee include: Child or Parent care, Health situation, Maternity, Formal education program.

• **Flexible Salary Benefits**: Its main objective is to provide flexibility to the employees to plan a tax-effective compensation structure by balancing the monthly net income, yearly benefits and income tax payable. It is applicable of all the employees of the organization. The Salary consists of Basic, DA and Conveyance Allowance. The Flexible Benefit Plan consists of: House Rent Allowance, Leave Travel Assistance, Medical Reimbursement, Special Allowance.

• **Regular Get together and other cultural programs**: The companies organize cultural program as and when possible but most of the times, once in a quarter, in which all the employees are given an opportunity to display their talents in dramatics, singing, acting, dancing etc. Apart from that the organizations also conduct various sports. Intelenet also has a social committee that organizes events throughout the year to encourage employees. It also holds employee appreciation programmes of 2-week duration aimed towards providing a better workplace. Programs such as Cricket, football, etc and regularly play matches with the teams of other organizations and colleges. 15-day long employee appreciation fortnight is a testimony to our commitment towards employees. During this week, we felicitate employees for outstanding achievement in the past year with Intelenet Awards and hold contests and entertainment programmes.

• **Wedding Day Gift**: Employee is given a gift voucher of Rs.2000/- to Rs. 7000/- based on their level in the organization.

• **Employee Referral Scheme**: In several companies employee referral scheme is implemented to encourage employees to refer friends and relatives for employment in the organisation.

• **Paid Days Off**

• **Maternity Leave**

• **Employee is 'buddied' with a mentor who initiates him into a community**: Such communities are active in out-of-workplace initiatives like stress camps, sports and cultural activities and act as informal channels of Communication for the company's vision, message and goals.

• **Employee Stock Option Scheme (ESOPS)**.
HR issues in the BPO Industry

- Managing large number of people at a short span of time
- Development of soft skills
- Inter BPO poaching
- The supply vs demand gap
- Development of effective at the same time competitive recruitment and retention strategies.

Given this background to the BPO industry, let me come to the real issues which the industry is struggling to address properly and also to solve to the best interests of all the parties involved. Some of the challenges which H.R departments across the industry deal with are:

- **Alarming rate of attrition in the industry**: The attrition rate in 2007 was about 50-55%, which fell to 30% in 2008. According to the NASSCOM report of 2006-07 the rate of attrition in the voice based BPOs is as high as 50-60% and non voice based BPOs is around 20%. The annualised rate of attrition in BPO industry is 7.5% above the all India industrial employee turnover rate of 15.5%. The attrition rate in some of the leading Indian BPOS for the year 2007-08 is

  - Infosys BPO 28%
  - Wipro BPO 18%
  - TCS BPO 21-22%
  - Inter BPO poaching is very high.
  - Low social status to the employees. The public perception of BPO employees is that they do not get jobs anywhere else, it cannot be a long term career option for an employee and this industry promotes western culture at the cost of neglecting Indian values.
  - High cost of recruitment, training and retention of employees to ensure right people are selected; selected people are made suitable for the processes and motivated to be loyal to the organisation fairly for a long period.

Of the above challenges it is the attrition which is the real challenge as the other issues are only adding to the problem of attrition. The attrition in BPOS is of two types; Drive attrition & Drag attrition. The DRIVE attrition happens because of employer and organisational factors where as the Drag attrition results in because of the employee related factors. The other problem associated with attrition noticed in Indian BPOs is that 60% of those who leave are leaving the BPO industry as a whole. Women employees form large part of the above group. Then the question that comes to the inquisitive mind is that in spite of the various benefits associated with BPO industry, what makes the employees change their company/industry? Is it only money that matters or anything else as well?
Many studies and surveys point to the following reasons to employee attrition in the industry:

1. Lack of growth opportunity/lack of promotion
2. For Higher education
3. Misguidance by the company
4. Policies and procedures are not conducive
5. No personal life
6. Physical strains
7. Poor brand equity or the low social image
8. For higher Salary
9. Uneasy relationship with peers or managers
10. Unscheduled work hours
11. Talent in this industry is generally over looked.
12. People join this industry to make a fast buck and leave sooner or later once they find something more attractive and tempting offer in their way.

Professionals all over the world, working in call - centre / Contact Centre / BPO industry are leaving no stone unturned to formulate strategies to retain human capital, but nothing is working in their favour. The retention focussed HR initiatives introduced by progressive BPOs in India include following.

- Regular training programs as also fast track programs. The former are more generic and need-based while the latter are comprehensive and equip employees with the right perspective, attitude and skills to move up to the next level.
- Conduct of employee satisfaction surveys and use of survey findings to draw HR policies that employees want. Ex. Intelenet
- Holding of employee appreciation programs and felicitating employees for outstanding achievements.
- Verification of drivers and vehicle documentation periodically to ensure employee safety and provision of escorts to women employees in night shifts.
- Supporting employees doing courses in the non-BPO space as well, despite knowing that the employee may move out of the industry on completing the course. More importantly offering flexibility of time to pursue the course.
- Giving extra break to employees who work continuously in night shift for five days.
- Compensating workers with wellness programs and stress busters.
- Aligning employees holidays with the clients’ holidays
- 360 degree appraisals
- Offering employees an opportunity to move across the organisation once they complete a given number of years of experience and if they are suitably qualified ex: ICICI Group.
- Looking at other avenues for loyal employees like establishing operations in smaller towns where fewer opportunities for people who can’t job hop as they do in the cities.
- Common designations to all employees irrespective of the position they occupy in the organisational hierarchy.
- Encourage employees to have good even best friends at the work place
The list of retention focussed initiatives is all inclusive. However there is no uniformity in employee retention strategies initiated by various organisations. At times the client company’s insistence on employee training and development activities become the benchmarks and in case of other companies the seriousness of attrition affecting the industrial unit and its commitment and financial might may put the limit. However I like to conclude this paper suggesting that businesses need to look at attrition as a business problem rather than a mere HR problem. This needs a multi level and multi dimensional approach to deal with it. One positive step in this direction could be changing the employable target audience at entry level jobs by recruiting differently abled youth where by a business can honour its social commitment also.

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