

# Understanding the Link between Level of Education and Educational Qualification with Employee Attrition in ITeS-BPO Sector

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## Abstract

It is essential to retain good, faithful, trained and hardworking employees because they drive the business. Since they acquire good product knowledge over the long run and are capable of effectively handling the customer queries and can help to solve the problems faced by new peers. There has been a shift in the duties of managers from just hiring good employees to retaining them for long duration. The goal is to maintain an effective workforce. Today, it is well known that India is an established IT destination. The country's success in the IT services sector has enabled outsourcing domain. However, the industry has also been witnessing high attrition rates. Current stature in this field indicates that world-wide, organizations in the knowledge sector have identified attraction and retention of talent as a key business priority to address exponential growth opportunities coming their way. This paper aims at understanding reasons for employee attrition and relationship of the same with regards to Level of Education and Educational Qualification of the employee. The study suggests The HR department is required to be the part of the corporate strategy team and comprehensive policy should be developed by the expert. Involving the employee, while taking some crucial decision will form an emotional connection and will make them feel an important part of the organization.

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**Keywords:** Employee Attrition, ITeS-BPO, Retention, Technology-enabled Business Process Outsourcing

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## Introduction

Outsourcing has now become an important and widely accepted business strategy. The commonly known face of business outsourcing is the business process outsourcing (BPO). It means transferring of the operational ownership of the firm's own business to an outside supplier.

Business process outsourcing simply means the transfer of the business function to other service providers, preferring the low-cost places or country. The service provider may be a third party supplier or a self-owned business. Outsourcing of business processes to the external provider is important for the growth of shareholder value. This industry has created a large number of employment opportunities for educated young people, both fresh college graduates & post graduates. Other factors that have contributed to India's popularity as an outsourcing destination include low operating and labour costs and a favorable policy environment.

In global BPO market, the fast transaction is taking place. It is also supported by the increased investment in the BPO services. Leading business companies in the world are adopting BPO as a strategic business solution. However, limited attrition is conducive to injection of new ideas into the organization. Besides bringing in new people, creating opportunities for change development and improvement, attrition also opens up new avenues for expansion of operations and addition to creative lines of an organization. Limited attrition can actually be a source of gain for the organization.

## Literature Review

ITeS-BPO industry has generated huge employment opportunities in recent years. However, it is facing certain bottlenecks in its growth. One of the major challenges, which has become gigantic with the passage of time is, employee attrition.

Business Dictionary.com defines Attrition as "The unpredictable and uncontrollable, but normal, reduction of work force due to

resignations, retirement, sickness, or death."

According to Wendell French (1997), "Attrition is the voluntary separation of employees from the organization through resignation and retirement."

Thus, the attrition results in separation of employees from the organization for a host of reasons. High attrition is a cause of concern for a company as it means substantial cost to the company. Negligence or lack of adequate attention to needs of employees in an organization can cause a deceleration in productivity with consequent ill effects on the economy as a whole. Aristotle, the Greek Philosopher, said that, "Pleasure in the job puts perfection in the work". Arguably, it may be interpreted as a significant statement that spotlights, the value of a satisfied, motivated and committed workforce. An organization's success depends on its ability to continuously nourish the satisfaction of its employees.

The review of different studies which have explored the reasons and effects of attrition is presented as under.

Magner et al. (1996) highlighted that when employees are in positive where they have some level of involvement in the delicious making process; they find themselves comfortable and stay longer. These employees must have a complete understanding of the various issues affecting their working atmosphere.

Manu et al. (2004) observed that economic reasons cause employees to quit organizations. They employed an economic model that demonstrated how people quit organizations on account of economic reasons and how this can be used to forecast labour turnover in the market.

R. Raman (2006) in his study "Strategies to Retain Human Capital in Business Process

Outsourcing (BPO) Industry" identified that there are numerous reasons for high attrition. He categorized them into two broad classes. He called the first "drive attrition", which is caused due to the employees and the second was termed as "drag attrition", which is caused due to employees. Drive attrition caused by the employer is often due to the former's policy of terminating the employment contract at the end of the due employment term. On the other hand, drag attrition is a consequence of insecurities and vulnerabilities associated with a career with a BPO company.

Chandrasekar K. (2011), says that HR is considered as the most valuable asset in an organization. It is still playing a crucial role in this age of computer and internet. The importance of the computer, to some extent, cannot be denied but feeding that program to the computer requires manual work and labor. So we can say that there is no proper substitute of manpower. The only problem faced by the manpower is the attrition which is increasing considerably in the IT, ITES and Software based companies. This practice has forced these companies to take up the research studies on their employees to know about the factors behind the high rate of attrition. This research helps in figuring out the attitude of the employee towards the organization and work, it also highlights the various direct and indirect impacts of the attrition on the production, cost, discipline and efficiency in the industry.

Minu Zachariah, Dr. Roopa T.N. (2002), conducted a study to identify the reasons for employee's leaving the organization, choosing to stay back, attitude adopted towards work, work relationship and the basic expectations from the organization that they prioritized. The study also examined whether there exist

any significant differences between responses from IT professionals from Indian IT and multinational companies with respect to the listed factors. An analysis of response collected from 30 IT professionals shows that there is no significant difference among these companies. However, a significant difference with respect to certain demographic factors such as position, total experience and sponsored certification programs was found between these companies. The results obtained from this study may help HR managers of these organizations to develop effective retention strategies specific to their organization and thus minimize the attrition rate.

In a paper aimed at addressing high employee attrition rates in the BPO sector in Karnataka & Kerala, James M.J and Faisal U. (2013) identified certain critical factors as causes of attrition. A structured questionnaire survey was used to collect data. 13 factors causing high employee attrition in BPO industry were identified using factor analysis. Also, multiple regression analysis was applied to analyze the collected data. It was found that employee salary emerged at the most critical factor affecting high attrition in the BPO sector. Thus paper stresses the importance of paying immediate attention to introducing highly competitive salary packages in BPO sector in order to address the attrition problem. It also revealed that the lack of good HRM practices in the organizations of the two states (Karnataka & Kerala) was another critical factor behind high attrition. Thus managements of BPO organizations must ensure that they pay their employees enough in turn for their services to the company.

Dube Pradeepkant and Verma Siddharth (2015) in their paper concluded that the employees with the age of 35 and above are less likely to

change their job than those with age below age 35. Another factor was the proximity of the employee to the family, in the case of married women they were more likely to change the job to be closer to the family. Moreover, it was also observed that people from the rural and semi-urban area are interested in switching the job since they are already staying away from their homes, but it was more in case the employee is less than 35 years old and vice versa.

## Objectives

While many general studies have been carried out on attrition, very less well thought-out and comprehensive studies have been undertaken that provides an comprehensive understanding of the concept attrition and present the relationship of the same with the demographic characteristics of an employee i.e. age, gender and marital status in order to combat the most smoldering problem of the present times i.e. attrition. Thus the present study has been undertaken to explore the Relationship amongst level of Education, educational qualification and Employee Attrition in ITeS-BPO Sector.

## Research Methodology

The units of analysis are the employees (excluding back-end support staff from departments like HR and administration) of ITeS-BPO companies in, Delhi and National Capital Region i.e. call-floor executives and operational managers at all levels. For the purpose of this study primary data has been collected with the help of the structured questionnaire from call floor employees working with ITeS-BPO Companies located in Delhi and National Capital Region. The target population for the study comprised of employees of the companies located in this region and listed in the "Directory of IT Enabled

Service Providers, 2006" published by NASSCOM, which is the apex body for this industry. There are 96 such companies as per this directory. At the first stage, 28 companies were selected randomly from the list of 96 companies. At the second stage, a simple random sample of 428 respondents has been taken for the purpose of the study from these 28 companies.

The total sample size of 428 respondents comprises the respondents less qualified (holding a senior secondary qualification) educationally come to about 4.6 percent of sample and 64.6 per cent comes in the group of more qualified that is a graduate degree. Also it is observed that 30.8 per cent of the respondents are post graduate. The dominating percentage of the respondents who have a graduate degree reflects that generally employees working for ITeS-BPO Companies belong to this level of education qualification.

The distribution of sample by stream/background of education of the respondents is divided into two; 'technical and non technical background'. Technical background consists of individuals from engineering and science background whereas non-technical background is people from arts, commerce and management. In distribution of sample according to stream of education it is observed that (28.5%) of respondents comes from technical background and (71.5%) comes from non-technical background.

To develop the construct and to begin the scale development process, a comprehensive review of the literature related to employee satisfaction and related concepts were made. On the basis of these viewpoints and others, the measures for attrition were operationalized and a questionnaire was framed. A questionnaire of 13



statements on a 5 point Likert Scale ranging from 'Strongly Disagree' to 'Strongly Agree' indicating the degree of conformity to motives for parting the job. A weight of '5' was assigned for 'Strongly Agree' and '1' for 'Strongly Disagree'. The other categories of scale were '4' for Agree, '3' for 'Neither Agree Nor Disagree' and '2' for 'Disagree'. Analysis of variance (ANOVA) has been done to test for differences among employees in ITES-BPO companies across Level of Education and Educational Qualification of the employee.

### Data Analysis

Factor analysis has been used to bring out the factors affecting employee attrition in the ITES-BPO companies, data. To verify the adequacy or appropriateness of data for factor analysis Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of Sphericity were used. To reduce the multiplicity of variables into selected factors Factor analysis using Varimax rotation has been conducted. The factor analysis conducted on thirteen statements related to employee attrition in an ITES-BPO company explains 54.808 per cent of the total variance accounted by all the variables. Using principal component analysis and varimax rotation three factors have been extracted.

'Non-Fulfillment of Needs and Aspiration' being the first extracted factor included variables /statements laying stress on career growth opportunities for making a decision to leave a company, also supported by literature review (Anupama D. Raina, 2006) that fear of stagnation is a major factor that makes employees to quit. Non deployment of knowledge, skills, abilities and experience while doing the job make employees unsatisfied and drives them towards taking a decision to leave

the job. Working environment offered by an organization is valued by employees as reflected by the factor loading for the same. All these account for different levels of needs of employees. Hence, this factor is named as 'Non-Fulfillment of Needs and Aspiration'.

The second factor comprises of three important variables viz. relations with peers, relations with superiors, and job was not interesting. The result shows that these variables are considered to be important by the employee regarding the dimensions contributing to employee attrition. These variables lead an employee in building a feeling to leave employment in his/her Company. Thus, these variables reflect the role of relations among employees in influencing their decision to leave the organization. Keeping in view the nature of these variables factor 2 is connoted as 'Poor Work Place Relations'.

The third factor has been named as 'Personal and Job Issues' as it talks about the significance attached by employees to Work Life Balance, Inability to cope up with location /city, and transportation problem. Further, the employees have also given high degree of importance to the variables that job security was not there and inability to cope up with work load. Too many demands from organization along with lack of job security causes work overload and pressure, both physical and mental, for the whole day. These both issues relate to the job. Hence this factor has been named as 'Personal and Job Issues'.

### Level of Education-wise Comparison of Dimensions Leading to Employee Attrition

Aspirations and attitude of employees usually get influenced by the level of qualification and can thus have bearing on employee attrition level. The influence of level of educational

qualification in case of factors contributing to employee attrition is presented in Table 1. Senior Secondary, Graduate and Post graduate are the three groups identified on the basis of education.

The factor 'Non Fulfillment of needs and aspirations' got the highest mean scores by the

respondents in all the three groups viz. senior secondary (3.45), graduate group (3.12), and post graduate group (3.30) as the table exhibits. The lowest mean score is obtained on the factor 'Poor Workplace Relations' in case of respondents in all the three groups viz. senior secondary, graduate, and post graduate.

**Table 1 : Level of education-wise Comparison of Dimensions Leading to Employee Attrition**

Factors contributing to employee attrition	Senior-Secondary	Graduate	Post - Graduate	F-Value	P-Value
Non Fulfillment of Needs and Aspirations	3.45	3.12	3.30	2.992	.050
Poor Workplace Relations	2.79	2.65	2.73	.614	.541
Personal and Job Issues	3.15	3.03	2.86	2.651	.072

Source: Authors' own findings

Note: i) All figures, except F-values and p-values are mean values, df=2/425

In order to find whether there is any significant difference among the mean scores in case of each of the factors contributing to employee attrition across three levels of education-wise employee groups, ANOVA has been applied.

The results shows that for the factor 'Non Fulfillment of Needs and Aspirations' there is significant difference in mean scores at 5 per cent level with a corresponding f-value of 2.992, df=2/425. The test results indicate that there is significant difference in the extent of agreement exhibited by the employees having different level of education regarding the factor 'Non Fulfillment of Needs and Aspirations'. The highest mean score on this is accorded by the employees in the senior secondary group.

The difference in mean scores of three groups on the other remaining factors is not found to be statistically significant. It implies that there is

almost same level of agreement for the senior secondary, graduate and post graduate group of respondents on both the factors viz. 'Poor Workplace Relations' and 'Personal and Job Issues'.

### **Educational Qualification-wise Comparison of Dimensions Leading to Employee Attrition**

T-test is conducted to inspect is there any significant variation in the perception of two groups of employees concerning various factors leading to employee attrition, grouped on the basis of their educational qualification i.e. Technical and non-technical background. The mean scores, standard deviation, and t-value for the technical and non-technical education qualification groups of respondents are presented in Table 2.

Table 2 : Educational Qualification-wise Comparison of Dimensions Leading to Employee Attrition

Factors Leading to Employee Attrition	Technical Background		Non Technical Background		Overall		T-value	P-value
	Mean	S.D.	Mean	S.D.	Mean	S.D.		
Non Fulfillment of Needs and Aspirations	3.29	.8565	3.17	.8497	3.21	.8445	1.297	.195
Poor Workplace Relations	2.73	.9309	2.71	.7626	2.72	.8201	.756	.450
Personal And Job Issues	3.11	.7635	2.93	.7357	3.03	.7610	2.167	.031

Source: Authors' own findings

Note: i) All figures, except T-values and P-values are mean values,  $df = 1/426$

The highest mean score at overall level (3.21) as well as for the group of respondents with technical (3.29) and non-technical background (3.17) of education are found on the factor 'Non Fulfillment of Needs and Aspirations'. The factor 'Poor Workplace Relations' has the lowest mean score for both the groups of respondents as well as on overall basis.

The results of t-test as depicted in the Table 2 above show that for the factor 'Personal and Job Issues' the t-value of 2.167,  $df=1/426$  is significant at 5 per cent level. Thus, the difference in mean score of two groups is significant. It reflects that the two groups of respondents differ in their level of agreement towards the factor contributing to Employee Attrition. It is clear from the mean scores that the mean is higher in case of respondents from technical background implying higher level of agreement with 'Personal and Job Issues' as a reason of attrition.

The t-value for each of the remaining dimensions mentioned in the Table 2 is too less to be significant at 5 per cent level. The t-test indicates that there is no significant difference between the mean values of each of remaining factors between the two groups i.e. Technical and non-technical background. Thus,

employees from both background of education have exhibited same extent of agreement with respect to each of remaining factors regarding employee attrition in ITES-BPO companies.

## Conclusion

The results indicate that there is significant difference in the extent of agreement exhibited by the employees having different level of education regarding the factor 'Non Fulfillment of Needs and Aspirations'. The highest mean score on this is accorded by the employees in the senior secondary group. The results also indicate that the two groups (based on technical and non technical background) of respondents differ in their level of agreement towards the factor 'Personal and Job Issues' contributing to Employee Attrition.

Job attrition is a continuous problem and needs a psychological evaluation to deal with. Providing an employee a good salary does not completely satisfy him. So it's the task of the HR to look for the factors other than immediate pay and find the factors that influence the satisfaction of an employee. Companies need to focus on developing a congenial work environment and providing scope for career growth for good performers.

### Managerial Implications and Limitations

The HR department is required to be the part of the corporate strategy team and comprehensive policy should be developed by the expert. There should be a set of standard for the performance appraisal and should be revised year after year by the organization. The psychological test should be there to analyse the behavior of the candidate at the time of the recruitment. An internal program should be implemented to receive the feedback from the employee at the time of bi-annual appraisal. The study is limited to comparison based on two parameters that is level of Education, educational qualification so it is suggested to further carry on the in depth research. As this study was restricted NCR so it is recommended that future study should cover large area may be PAN India.

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