Project Dissertation Report on

EFFECT OF SELECTION PROCESS ON LABOUR TURNOVER AND ATTRITION RATE IN SERVICE INDUSTRY

Submitted by

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CERTIFICATE

This is to certify that the Project Report titled "Effect of selection process on labour turnover and attrition rate in service industry" is an original and bona fide work carried out by Ms. Mamta Chowdhary of MBA 2017-19 batch and was submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-110042 in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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Signature of Guide   Signature of HOD (DSM)

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DECLARATION

I, Mamta Chowdhary, student of MBA Batch 2017-19 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that project dissertation report on effect of selection process on labour turnover and attrition rate in service industry is submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

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EXECUTIVE SUMMARY

A common attrition rate definition refers to employee or staff turnover, but in a broader sense, attrition rate is a calculation of the number of individuals or items that vacate or move out of a larger, collective group over a specified time frame.

Attrition rate is also commonly referred to as churn rate. A term often used by human resources professionals to determine a company's ability to retain employees, attrition rate is increasingly used in the marketing world as a figure that points to the company's ability to retain customers or to project the number of new sales necessary to maintain the status quo, accounting for customer churn or customer attrition.

Customer attrition occurs when customers break ties with an organization. Churned customers do not interact with or purchase from a company after a given period of time. As customer retention becomes a valuable metric (and valuable to the bottom line), it is in companies' best interests to reduce customer attrition rate.

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1. INTRODUCTION

1.1 Industry Profile

Productivity is very important issue for an industry or organization. There are several factors on which productivity of an organization mostly depends upon. Employee's turnover is one of them which is considered to be one of the challenging issues in business nowadays. The impact of turnover has received considerable attention by senior management, human resources professionals and industrial psychologists. It has proven to be one of the most costly and seemingly intractable human resource challenges confronting by several organizations globally. The purpose of this research is therefore, to find out the actual reasons behind turnover and its damaging affects on the productivity of different industries in Bangladesh.

The objective of these case studies were to find out the actual reasons of turnover, its negative effects and possible recommendations that could be helpful to the local industries for their productivity and market share.

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual turnover. Losing talents and employees result in performance losses which can have long term negative effect on companies especially if the departing talent leaves gaps in its execution capability and human resource functioning which not only includes lost productivity but also possibly loss of work team harmony and social goodwill. With attrition rates being a bane of every industry, companies are devising innovative

business models for effective retention of talent. There are a lot of factors responsible for attrition and employers are getting increasingly conscious of the factors that can keep an employee committed. Attrition may be defined as gradual reduction in membership or personnel as through retirement, resignation or death. In other words, attrition can be defined as the number of employees leaving the organization which includes both voluntary and involuntary separation. The employee gradually reduces his/her ties with the company than crib about the underlying factors causing attrition. It is symptomatic of a much deeper malaise that cuts deeper into the innards of organizations. Attrition rates vary from sector and industry to industry. Apart from the

unavoidable ones like resignation, retirement, death or disability, the causes are found to be many and varied. They vary according to the nature of business, the level of the employees and the nature of the responsibility shouldered by them. The obvious, common and main reasons are the 'ergonomic discomfort' experienced by the employee and the 'functional incompatibility' between the corporate management and the employees. Very often an employee finds himself among colleagues and superiors he is unable to cope up with. Or he finds himself totally out of tune in his functions with the employee's functional requirements, failing to rise to the employer's expectations. Another important reason is that the employee's remuneration is not voluminous enough to bear the brunt and cushion the concussions of his family and social life. Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problem that plague companies in the competitive marketplace. Not too long ago, companies accepted the "revolving door policy" as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future. Employees need to be retained because good, faithful, trained and hard working employees are required to run business. They have acquired good product knowledge over the long run and a trained employee can handle customers better and also solve problems of peers who are new to the organization. When an employee leaves he takes away with him all company information such as ongoing projects, etc. Goodwill of the company gets hampered due to more employee turnover rate and the competitors start poking their nose to recruit best talents from them. Efficiency of work is hampered to a large extent. Let me give you an example – If an employee leaves in the middle of an ongoing project its very difficult to fill that Vacuum and a new employee can never replace an old and talented employee so this leads to delayed completion of projects and less work satisfaction among other team members . In the present context the present paper is ascertain to study on employee attrition and retention in manufacturing industries in Delhi.

Theoretical Framework

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

Market Size

The services sector is the key driver of India's economic growth. The sector contributed around 66.1 per cent of its Gross Value Added growth in 2015-16, thereby becoming an important net foreign exchange earner and the most attractive sector for FDI (Foreign Direct Investment) inflows.! As per the first advance estimates of the Central Statistics Office (CSO), the services sector is expected to grow at 8.8 per cent in 2016-17.

According to a report by leading research firm Market Research Store, the Indian telecommunication services market is expected to grow by 10.3 per cent year-on-year to reach US$ 103.9 billion by 2020.

The Indian digital classifieds industry is expected to grow three-fold to reach US$ 1.2 billion by 2020, driven by growth in horizontal classifieds like online services, real estate and automobiles.#

Out of overall services sector, the sub-sector comprising financial services, real estate and professional services contributed US$ 305.8 billion or 20.5 per cent to the GDP. The sub-sector of community, social and personal services contributed US$ 188.2 billion or 12.6 per cent to the GDP.

Investments

The Indian services sector which includes financial, banking, insurance, non-financial/business, outsourcing, research and development, courier and technical test analysis, has attracted the highest amount of FDI equity inflows in the period April 2000-December 2016, amounting to about US$ 58.345 billion which is about 17.99

per cent of the total foreign inflows, according to the Department of Industrial Policy and Promotion (DIPP).

Some of the developments and major investments by companies in the services sector in the recent past are as follows:

- FM Logistic Asia, outlined plans of investing around EUR 50 million (US$ 56.14 million) in India in the next four years, to contribute to a better efficiency of logistics market in the country.

- Caisse de Dépôt et Placement du Québec (CDPQ), Canada's second largest pension fund, plans to invest around US$ 155 million to acquire a minority stake in TVS Logistics Services Limited, a privately held subsidiary of the TVS Group.

- WNS Global Services has made an announcement to acquire Denali Sourcing Services for US$ 40 million, with the aim of improving its sourcing and procurement capabilities.

- Samsung India has expanded its service network to over 6,000 talukas across 29 states and seven union territories in India, by introducing over 535 service vans equipped with engineers, key components, diesel generator (DG) sets and key equipment, for providing quick response and on-spot resolution.

- Uber Technologies Inc plans to launch UberEATS, its food delivery service to India, with investments made across multiple cities and regions, as per Mr Allen Penn, Head, Asia-Pacific, UberEATS.

- International Finance Corporation (IFC), the investment arm of World Bank, plans to invest around US$ 10 million Bengaluru-based online freight-booking service provider Zinka Logistics, which will be used to expand Zinka's service offerings and further technology development.

- Reliance Jio Infocomm Ltd. and Uber have announced a strategic partnership, which will enable Uber riders to pay for their rides using JioMoney.

- The domestic and foreign logistic companies are optimistic about prospects in the logistics sector in India, and are actively making investments plans to improve earnings and streamline operations.

- Online food ordering and delivery service firm Swiggy, owned by Bundl Technologies Private Limited, has raised US$ 15 million in a fresh funding round led by Bessemer Venture Partners along with existing investors SAIF Partners, Norwest Venture Partners, Accel Partners, and Apoletto Asia.

- Factset, a US-based financial data and analytics firm, plans set up its largest global office at Divyasree Orion Special Economic Zone (SEZ) in Gachibowli, Hyderabad.

- LogixHealth Private Limited, a wholly-owned subsidiary of LogixHealthInc, USA, plans to invest around US$ 15 million and hire 1,000 people for its upcoming facility in Coimbatore.

- Meru Cab Company Pvt Ltd, the Mumbai-based radio cab service, has raised Rs 150 crore (US$ 22.37 million) from Brand Capital, the investment arm of Bennett Coleman and Co, which will be used to fund advertising and provide user incentives including discounts and loyalty schemes.

- SSG Capital Management Group, a Hong Kong based Private Equity (PE) investor, has acquired a 40 per cent stake in the logistics company Future Supply Chain Solutions (FSC), for Rs 580 crore (US$ 86.5 million) from existing shareholders including Future Retail (FRL) and Fung Group, promoted by billionaire Victor Fung.

- Vistra Group Ltd, a Hong Kong-based professional services provider, has acquired IL&FS Trust Company Ltd, India's largest independent corporate trust services provider, which will enable Vistra to expand the platform to

provide a broader suite of corporate and fiduciary services and thereby gain a foothold in the Indian corporate services market.

- IcertisInc, a contract management software maker for enterprises based out of Pune and Mumbai in India, has raised US$ 15 million in series B round of funding from Ignition Partners and Eight Roads Ventures, which will be used to invest in marketing and expand its global operations.

- OfBusiness, an online marketplace for business-to-business (B2B) commerce, has raised US$ 5 million in series A funding round led by Matrix Partners India, which will be used to expand the team and build a technology platform for small and medium enterprises (SMEs).

- Credit Analysis and Research (CARE Ratings) has signed Memorandum of Understanding (MoU) with Japan Credit Rating Agency, Ltd (JCR) to collaborate with each other as strategic business partners.

- Shuttl, an Indian bus aggregator platform headquartered in Gurgaon, has raised US$ 20 million in Series A funding from Lightspeed, Sequoia India and Times Internet Ltd.

- Indian logistics platform Rivigo has raised US$ 30 million in debt and equity in Series B financing round, led by SAIF Partners. The firm aims to use the raised funds to achieve its target of scaling 10 times in the next 12 months.

- Taxi service aggregator Ola plans to double operations to 200 cities. The company, which is looking at small towns for growth, also plans to invest in driver eco-system, such as training centers and technology upgrade, besides adding 1,500 to 2,000 women drivers as part of its pink cab service by women for women.

Government Initiatives

The Government of India recognises the importance of promoting growth in services sectors and provides several incentives in wide variety of sectors such as health care,

tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others.

Prime Minister Narendra Modi has stated that India's priority will be to work towards trade facilitation agreement (TFA) for services, which is expected to help in the smooth movement of professionals.

The Government of India has adopted a few initiatives in the recent past. Some of these are as follows:

- The Ministry of Electronics and Information Technology has launched a services portal, which aims to provide seamless access to government services related to education, health, electricity, water and local services, justice and law, pensions and benefits, through a single window.

- The Government of India plans to significantly liberalise its visa regime, including allowing multiple-entry tourist and business visas, which is expected to boost India's services exports.

- Mr Ravi Shakar Prasad, Minister of Communication and Information Technology, announced plan to increase the number of common service centres or e-Seva centres to 250,000 from 150,000 currently to enable village level entrepreneurs to interact with national experts for guidance, besides serving as a e-services distribution point.

- The Central Government is considering a two-rate structure for the goods and service tax(GST), under which key services will be taxed at a lower rate compared to the standard rate, which will help to minimize the impact on consumers due to increase in service tax.

- The Reserve Bank of India (RBI) has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and has also allowed white label ATMs to tie up with any commercial bank for cash supply.

Road Ahead

Services sector growth is governed by both domestic and global factors. The Indian facilities management market is expected to grow at 17 per cent CAGR between 2015 and 2020 and surpass the $19 billion mark supported by booming real estate, retail, and hospitality sectors. The performance of trade, hotels and restaurants, and transport, storage and communication sectors are expected to improve in FY17. The financing, insurance, real estate, and business services sectors are also expected to continue their good run in FY17.

India's Growing Market Size

India's technology and BPM sector (including hardware) is likely to generate revenues of US$ 160 billion during FY16 compared to US$ 146.5 billion in FY15, implying a growth rate of 9.2 per cent.

The contribution of the IT sector to India's GDP rose to approximately 9.5 per cent in FY15 from 1.2 per cent in FY98.

TCS is the market leader, accounting for about 10.1 per cent of India's total IT & ITeS sector revenue

The top five IT firms contribute over 25 per cent to the total industry revenue, indicating the market is fairly competitive.

Attrition Rate

A common attrition rate definition refers to employee or staff turnover, but in a broader sense, attrition rate is a calculation of the number of individuals or items that vacate or move out of a larger, collective group over a specified time frame.

Attrition rate is also commonly referred to as churn rate. A term often used by human resources professionals to determine a company's ability to retain employees, attrition rate is increasingly used in the marketing world as a figure that points to the company's ability to retain customers or to project the number of new sales necessary to maintain the status quo, accounting for customer churn or customer attrition.

Calculation Of Attrition Rate

It's actually quite simple to calculate attrition rate. It's generally expressed as a percentage of customers and typically on a monthly or annual basis.

To calculate your customer attrition rate, use this simple attrition rate formula:

Number of customers lost by the end of the period divided by the total number of customers at the beginning of the period.

So for an example, in order to calculate attrition rate for a company that had 650 customers at the beginning of the month and 600 customers at the end of the month, the attrition rate formula would be:

Number of customers lost: 650 – 600 = 50 customers

Number of customers at the beginning of the period: 650

Attrition rate formula: 50/650 = .0769 or 7.7%

Attrition rate is a complimentary figure to retention rate, which refers to the number of customers retained during a given period, and to customer acquisition rate, which refers to the number of new customers acquired during a given period. The three figures together should equal 100 percent.

Advantages of Understanding Your Customer Attrition Rate

It's so simple to calculate attrition rate that it may seem an unimportant figure. But to most businesses, keeping track of customer attrition rate is a key success metric. In fact, in most verticals it is more profitable to keep current customers than it is to acquire new customers.

There are exceptions to this rule; for example, companies that rely on a membership business model may make more money on new customers through a higher sign-on rate than they do with recurring membership fees. In these cases, customer acquisition rates may be more significant to the company's bottom line.

In any case, companies that calculate attrition rate and monitor changes over time are able to pinpoint weaknesses and identify areas in which improvements can be made in order to increase customer retention and reduce customer attrition. Additionally,

customer attrition rate is a valuable metric often used by sales teams to determine sales goals for the next month, quarter, or year, offering a figure on which to base the number of new sales required to maintain profitability.

Pros and Cons of Attrition Rate

Calculating attrition rate is a simple process for most businesses, and this metric can be used to formulate company goals and objectives. However, in some industries and verticals, attrition rate is not as easy to calculate. Marketing agencies can easily calculate attrition rate by consulting a list of currently active clients. But for businesses such as retail stores, determining the number of active customers is somewhat subjective.

Retailers may monitor return customers through online channels, coupon redemption, or other methods, but cash-paying customers are not as simple to track. Relying on the total number of sales is a viable alternative in some circumstances, although using this calculation blurs the lines between attrition rate and acquisition rate, as it cannot accurately differentiate new customers from repeat customers without some form of individual customer identification. When promotional offers and redemption codes are used, tracking individual customers and monitoring repeat purchases becomes more accurate. Companies aim for a low attrition rate. Companies that experience a sudden increase in attrition rate can use this data to investigate pain points and conduct further research into the motivations behind customer attrition, identifying opportunities to prevent customers from churning and retain their business.

2. LITERATURE REVIEW

Brief Overview

In today's scenario where the world is trying to sustain the economic development and to maintain a steady growth on the business and in such employee being an asset and important resources to any organization is also a treat to the sustainability of the organization. An employee is an important part or an integral part of any business, business would be abortive without them. Hence Employee turnover in a very ordinary language means the process of swapping one employee with another for any cause in a permanent way. In today's world employee or labour turnover is always taken as a downbeat aspect by any corporate or industrial house. The massive disadvantage of labour turnover is that it has direct effect not only on production but also on the profit in the future in long run. Labour turnover also has a negative effect on the working culture and learning environment of any company.

Employees' turnover is a much studied phenomenon Shaw et al. (1998).But there is no standard reason why people leave organisation. Employee turnover is the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment Abassi et al. (2000). The term "turnover" is defined by Price (1977) as: the ratio of the number of organizational members who have left during the period being considered divided by the aver-age number of people in that organization during the period. Frequently, managers refer to turnover as the entire process associated with filling a vacancy: Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover Woods, (1995). This term is also often utilized in efforts to measure relationships of employees in an organization as they leave, regardless of reason.

"Unfolding model" of voluntary turnover represents a divergence from traditional thinking (Hom and Griffeth, 1995) by focusing more on the decisional aspect of employee turnover, in other words, showing instances of voluntary turnover as decisions to quit. Indeed, the model is based on a theory of decision making, image theory Beach, (1990). The image theory describes the process of how individuals process information during decision making. The underlying premise of the model is that people leave organizations after they have analysed the reasons for quitting. Beach

(1990) argues that individuals seldom have the cognitive resources to systematically evaluate all incoming information, so individuals instead of simply and quickly compare incoming information to more heuristic-type decision making alternatives.

Sources of employee turnover

Job Related Factors

There are several reasons why people quit from one organisation to another or why people leave organisation. The experience of job related stress (job stress), the range factors that lead to job related stress (stressors), lack of commitment in the organisation; and job dissatisfaction make employees to quit Firth et al. (2004). 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. Locus control refers to the extent to which people believe that the external factors such as chance and powerful others are in control of the events which influence their lives Firth et al. (2004). Manu et al. (2004) argue that employees quit from organization due economic reasons. Using economic model they showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market. Good local labour market conditions improve organizational stability Schervish (1983). Large organizations can provide employees with better chances for advancement and higher wages and hence ensure organizational attachment (Idson and Feaster 1990). Trevor (2001) argues that local unemployment rates interact with job satisfaction to predict turnover in the market.

Voluntary vs. Involuntary Turnover

There are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classed as involuntary turnover in the past such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis Simon et al. (2007).

Organizational Factors

Organisational 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 (Zuber, 2001). In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Alexander et al., 1994). Therefore, in situations where organizations are not stable employees tend to quit and look for stable organisations because with stable organisations 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 Simon et al. (2007). All these approaches should be avoided if managers want to minimize employee turnover an increase organisational competitiveness in this environment of globalization.

Employees have a strong need to be informed. Organisation with strong communication systems enjoyed lower turnover of staff (Labov, 1997). Employees feel comfort-able to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere (Magner et al. (1996). But in the absence openness' in sharing information, employee empowerment the chances of continuity of employees are minimal. Costly et al. (1987) points out that a high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit.

The Cost of Employee Turnover

A low level of employee turnover is normal and healthy in any occupation, in that it offsets potential stagnancy, eliminates low performers, and encourages innovation with the insertion of new blood (Ingersoll & Smith, 2003). However, high levels of employee

turnover lead to low performance and ineffectiveness in organizations, and result in a number of costs and negative consequences. According to Mobley (1982), the most frequently studied organizational influence of turnover is monetary cost, The cost, both direct and indirect, can vary substantially between and within organizations (Rothwell, 1992). Abbasi and Hollman (2000) sought to determine the impact of employee turnover on organizations and found that excessive employee turnover often engenders far-reaching consequences and, at the extreme, may jeopardize efforts to attain organizational objectives. Many researchers found high turnover rates might have negative effects on the profitability of organizations (Aksu, 2004; Hinkin & Tracey, 2001; Kaak et al., 1998). The financial impact of turnover is usually expressed in monetary terms. Cascio in 1991 made the most significant contribution in this respect, discussing the extent to which turnover cost are important (Tziner & Birati, 1996). Table 2.1 illustrates his model that consists of categories of expenses.

| Seperation Cost	• The costs incurred for exit interviews •Administrative functions related to termination • Separation/severance pay
Replacement Cost	•Advertising position availability in various media • Entrance interviews • Holding decision making meetings
Training Cost	• Norms of conduct and performance • Disseminating relevant information for organizational socialization •Participation in on-the-job training activities

Table2.1: Categories of expense associated with turnover cost
Source: Cascio, 1991 (cited in Tuner & Biratl, 1996: p.114)

<u>Turnover Process Model</u>

Several studies were already conducted that focused on developing and estimating a causal model specifying the factors of voluntary turnover. Five important turnover models/studies were identified from the extant literature, which are instrumental in shaping the present research. The common theme which can be observed from the following described models is that turnover behavior is a multistage process that includes behavioral, attitudinal, and decisional components.

1. Bluedorn 's Unified Model

Bluedorn (1982), through his unified model for employee turnover, made an attempt to develop a more complete understanding of the turnover process by synthesizing three of the earlier developed turnover models by Price (1977), Mobley (1977) and the organization commitment model. Exhibit 2.1 presents an illustration of the model, developed by Bluedorn (1982), which incorporates these three previous models. The variables (in the model) leading directly to job satisfaction were suggested in the previous model by Price (1977). He developed a model of the turnover process which illustrates this process as beginning with a series of structural' and individual determinants of job satisfaction (e.g. centralization, pay, communication etc.). The work of Marsh and Mannari (1971) suggested the position of organizational commitment in the model as they hypothesized, in their study, that job satisfaction was a determinant of organizational commitment. Organizational commitment has been consistently related to turnover, and may itself be caused by several of the determinants of job satisfaction in Price's model, as well as by job satisfaction itself. The positioning of job search and intent to leave in the model was earlier confirmed in the work of Mobley (1977). Bluedorn (1982) simplified his work to the following sequence: dissatisfaction leads to job search which leads to an intention to quit or stay which leads to the individual's actual quitting or staying behaviour. This unified model of turnover was empirically tested by Bluedom (1982) through path analysis and a subsequent cross-validation in another data set. Overall, the form of the general model developed in the theoretical synthesis was supported in its empirical examination with few modifications.
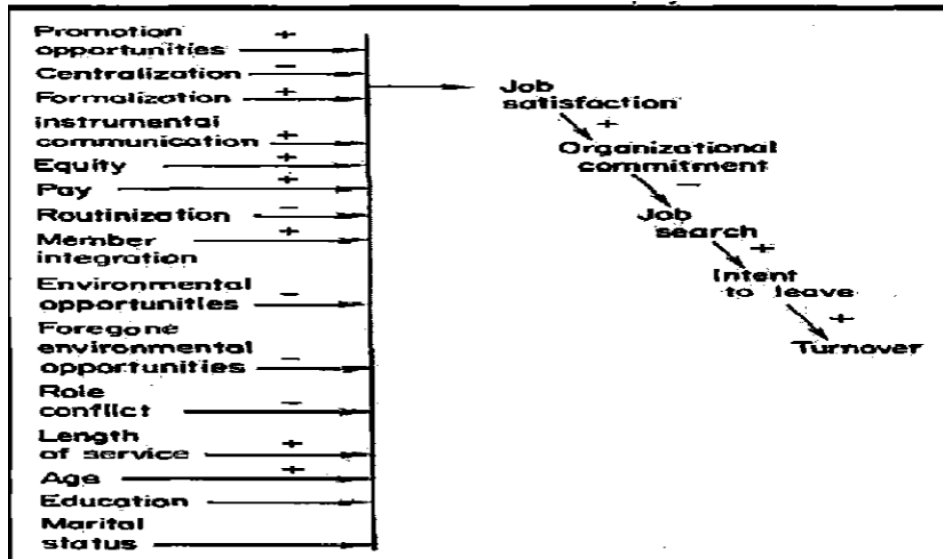
Source: Bluedorn, A.0 (1982). A unified In model of turnover from organisations, Human relations, 35

March and Simon (1958) model

One of the earliest models of turnover was developed by March and Simon in 1958 (Hom & Griffeth, 1995). This model described individuals and organizations as being in a state of equilibrium, where the members contributed to the organization while the organization provided members with compensation in return. March and Simon posited that when the compensation provided by the organization is no longer balanced with the contribution of the organizational members, individuals quit the organization. This equilibrium between individual contribution and organizational compensation is a function of two motivational components – perceived desirability of the job and perceived ease of movement.
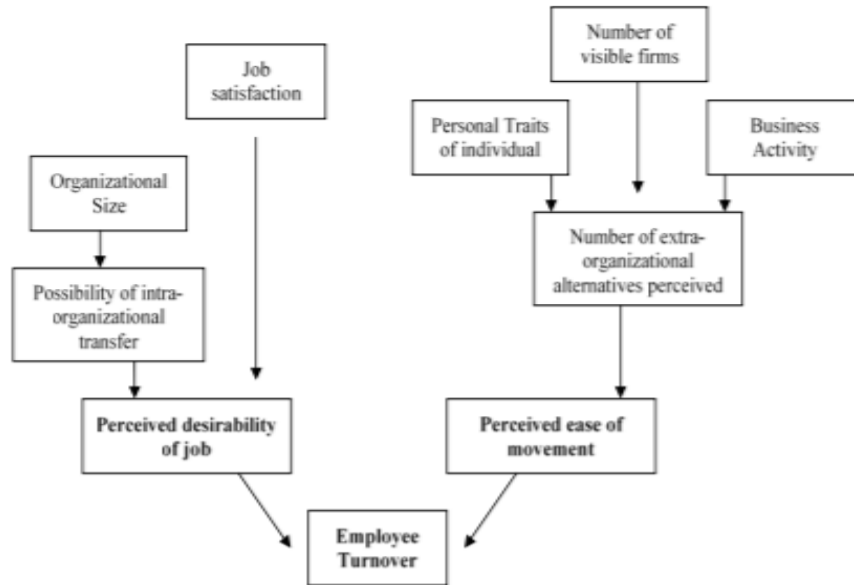
March and Simon (1958) Model of Turnover

Elaborating further, they argued that the perceived desirability of the job is influenced by job satisfaction and organizational size (because larger organizational size increases the chances of an intra-organizational transfer). They also argued that an individual's perceived ease of movement is influenced by the number of perceived opportunities outside of the organization, which is determined by the state of the economy, the individual's traits and characteristics, and the number of firms the individual can access (either through job advertisements or personal contacts). Even though few studies have directly tested this model, it has had an influence on many of the following theories of turnover (Hom & Griffeth, 1991). During the remainder of this review, it will become clear that many models invoke the same variables in their description of turnover.

Mobley (1977) and Modification Models

According to Mobley (1977), there are a series of steps that lead from job satisfaction to turnover (Figure 2). As seen in Figure 2, dissatisfaction with the job leads to thoughts of quitting, thoughts about the costs of quitting (for example, loss of excellent health benefits), and the expected utility of searching for a new job (for example, the probability of finding another job within the same salary range). If the cost of quitting is not too high and there is a high probability of finding a comparable job, the individual will search for alternatives, evaluate them, and compare them to the existing

job. Only if the comparison is favourable towards the alternatives does the individual make the final decision to quit the current job. This model has attracted a large body of empirical research (Coverdale & Terborg, 1980; Hom & Griffeth, 1991; Hom, Griffeth, & Sellaro, 1984; Miller, Karterberg, & Hulin, 1979) . Initial studies of this model found that thinking about quitting has a direct effect on intention to search, and that intention to search for a new job has a direct effect on intention to quit (Coverdale & Terborg, 1980; Miller, Karterberg, & Hulin, 1979; Mobley, 1977). These studies also found that turnover intentions were the best predictor of actual turnover.
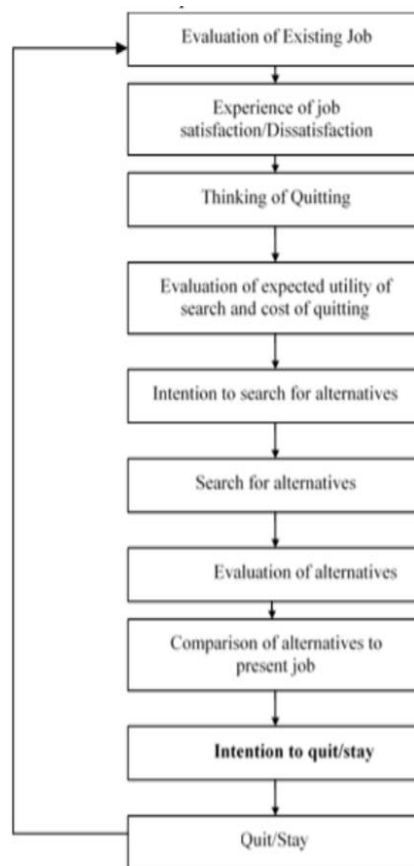
Mobley (1977) Intermediate Linkages Model

Other paths, such as expected utility of job search leading to a job search or intention to quit were not supported (Coverdale & Terborg, 1980; Miller, Karterberg, & Hulin, 1979; Mobley, 1977). Mobley, Hand, Baker and Meglino(1979) modified the original model to include the utility of the present job and utility of the future job to the employee. A number of studies have investigated these additions, but the results are inconsistent and provide only partial support for this model (Griffeth & Hom, 1988; Michaels & Spector, 1982; Youngblood, Mobley, &

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Meglino, 1983). This model is very complex and has not been tested in its entirety. Hom, Griffeth and Sellaro(1984) proposed another modification of the original Mobley model in which individuals who expect to find alternative jobs easily resign after deciding to quit without searching for a job (Figure 3). Hom and Griffeth(1991) used structural equation modeling (SEM) to compare these models and found the new model to have a better fit than the original Mobley model. However, a meta-analysis on all the studies that tested these turnover models (Griffeth, Hom, & Gaertner, 2000) found that none of the variables from the above discussed models explained more than 15% of the variance in turnover.

Job Satisfaction

Expected Utility

Withdrawal Cognition

Job Search

Comparison of alternatives

Retention
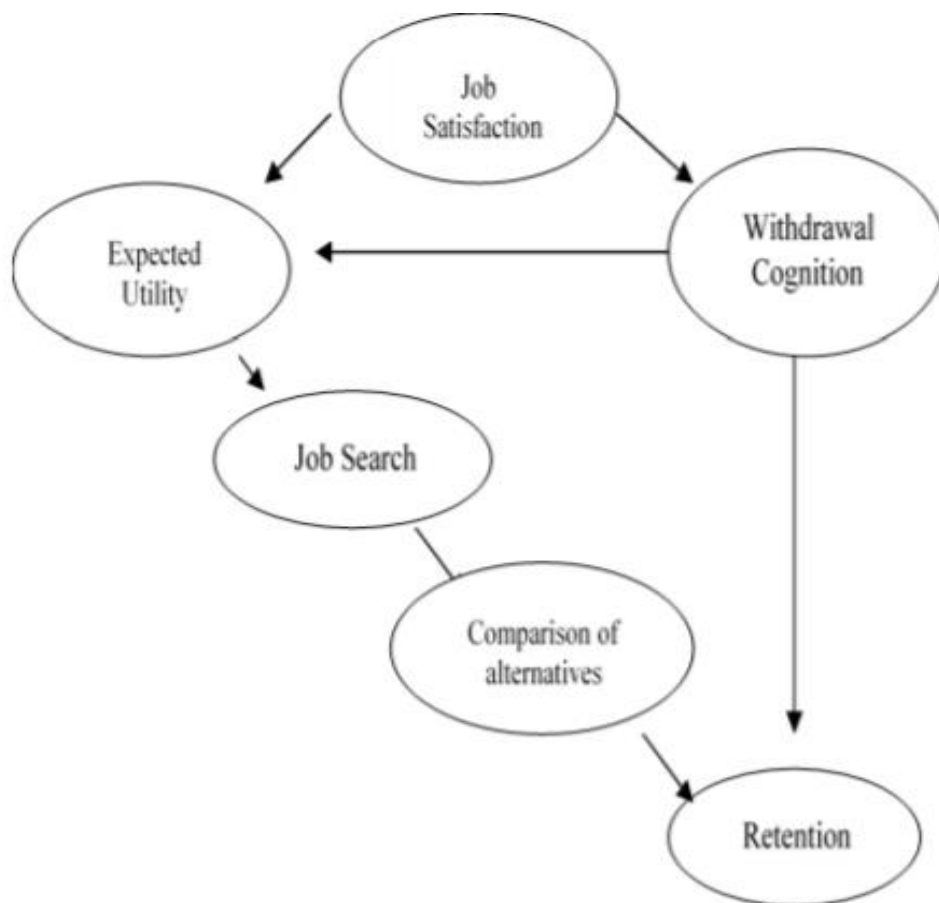
Hom and Griffeth (1991) Alternative Linkage Model of Turnover

Price (1977) Model

In his model, Price identified five primary determinants of turnover – pay levels, integration (defined as the involvement one has in one''s relationship with a supervisor

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or coworker), instrumental communication (defined as how clearly the work role is communicated to the employee), formal communication (defined as how well the organizational communicates practices and policies), and centralization (defined as the distribution of power in the organization). He proposed that the first four determinants are positively related to turnover while centralization is negatively related to turnover (Figure 4). He suggested that these four determinants lead to satisfaction, and the relationship between satisfaction and turnover is mediated by the availability of other work opportunities. Further modification proposed by Price and Mueller (1981) added other determinants, such as forming close friendships at work, earning good and fair compensation, kinship responsibility, and training opportunity. However, even with the inclusion of more than 15 determinants of turnover, these models explained only about 13% of turnover variance (Hom & Griffeth, Employee Turnover, 1995).
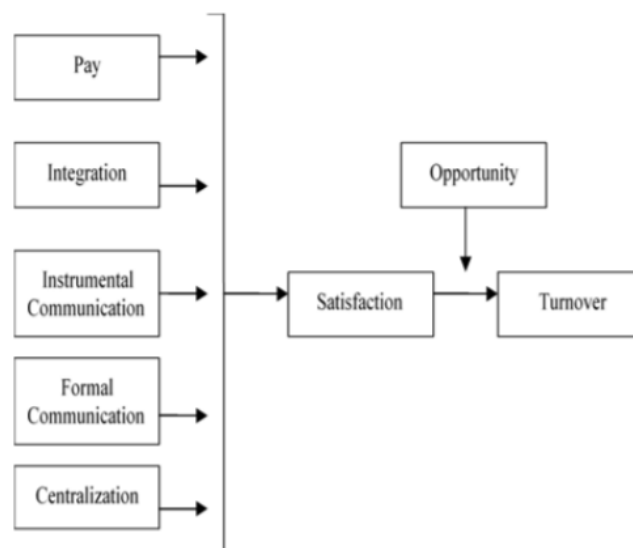
Price (1977) Turnover Determinants and Intervening Variables

Steers and Mowday(1981) Model

The Steers and Mowday(1981) model is described in Figure 8 and includes many of the same factors as the Mobley et al. (1979) model described earlier. Affective responses (including job satisfaction as well as organizational commitment and job involvement) influence desire and intention to stay or leave. As in other models, desire and intention to stay or leave directly lead

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to the individual leaving or staying (Lee & Mowday, Voluntarily leaving an organization: An empirical investigation of Steers and Mowday"s model of turnover, 1987), but this relationship is moderated by alternative job opportunities (i.e., if the individual perceived other attractive opportunities, their expectations from the job might change). This model identifies job expectations and values, job performance, and organizational experiences as predictors of the individual"s affective response to a job. In addition to this basic framework, there are a multitude of factors that influence these relationships. For example, job expectations are influenced by individual characteristics, available information about the job and organization, and alternative job opportunities. Finally, once an individual reaches the stage where s/he desires to leave, this model suggests that there are multiple paths the individual might take. S/he might resign immediately or start looking for available alternatives to the job. A number of studies that tested this model have shown partial support for the model (Stumpf & Hartman, 1984; Hom, Griffeth, & Sellaro, 1984). The only study that tests the complete Steers and Mowday model found that only intention to leave predicted actual leaving while alternative job opportunity did not add any significant variance (Lee & Mowday, 1987). Together, both intention to leave and alternative job opportunity accounted for only 5% of the varience in turnover.
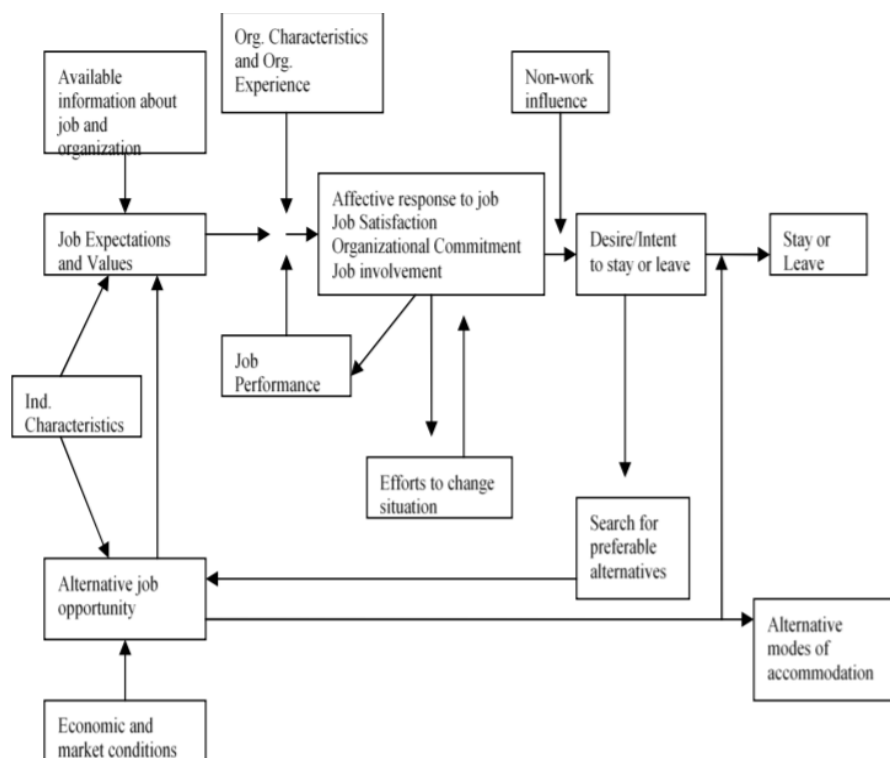
Steers and Mowday (1981) Turnover Model

Effects of employee turnover

Employee turnover is expensive from the view of the organisation. Voluntary quits which represents an exodus of human capital investment from organisations Fair (1992) and the subsequent replacement process entails manifold costs to the organisations. These replacement costs include for example, search of the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit John (2000). Addition to these replacement costs, output would be affected to some extend or output would be maintained at the cost of overtime payment. The reason so much attention has been paid to the issue of turnover is because turnover has some significant effects on organisations (DeMicco and Giridharan, 1987; Dyke and Strick, 1990; Cantrell and Saranakhsh, 1991; Denvir and Mcmahon, 1992).Many researchers argue that high turnover rates might have negative effects on the profitability of organisations if not managed properly (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990). Hogan 1992, nearly twenty years ago the direct and indirect cost of a single line employee quitting was between $ 1400 and $4000. Turnover has many hidden or invisible costs Philips (1990) and these invisible costs are result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organisation. On the other hand turnover affects on customer service and satisfaction Kemal et al. (2002). Catherine (2002) argue that turnover include other costs, such as lost productivity, lost sales, and management's time, estimate the turnover costs of an hourly employee to be $3,000 to $10,000 each. This clearly demonstrates that turnover affects the profitability of the organisation and if it's not managed properly it would have the negative effect on the profit. Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary (Johnson et al., 2000) – but the costs do not stop there. Each time an employee leaves the firm,

we presume that productivity drops due to the learning curve involved in under-standing the job and the organization. Furthermore, the loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets Meaghan et al. (2002). Therefore, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position. However, voluntary turnover incurs significant cost, both in terms of direct costs (repla-cement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital Dess et al. (2001).

3. RESEARCH METHODOLOGY

Research technique is a strategy to tackle the examination issue methodically. It involves gathering data, use of statistical techniques, interpretations and drawing conclusions about research data. Keeping in view the objectives of the study, data is collected from different sources The motivation behind this area is to depict the technique done to finish the work.

Objectives

- To find the effect of selection process on labour turnover and attrition rate in service industry
- To understand the concept of attrition in service industry
- To study and analyze the recruitment and selection process in service industry
- To structure the Recruitment policy in service industry for different categories of labour employees.
- Studying the recruitment sources and methods of the company screening of the responses.

Research Design

The research design for the study is descriptive in nature. The respondents belonged to New Delhi. The questionnaire constructed for the study included several questions which were continuous and categorical in nature.

Sample Size: - 100 respondents

Sample Area : New Delhi

Sampling Techniques: Sampling techniques can be broadly classified in to two types:

- Probability Sampling
- Non Probability Sampling

This project has been based on the non-probability, purposive, quota sampling. As in the given project the sample has been considered specific to predetermined New Delhi.

Judgmental sampling: Sample was taken on judgmental basis. The advantage of sampling are that it is much less costly, quicker and analyse will become easier.

<u>Data Collection</u>

Primary Data

Looking into the objectives and information needed, I have chosen following two methods as per the response of the subject:-

1. Schedules
2. Personal Interview

Scheduler Method

Schedules has been filled in by the respondents.

a. Personal Interview Method

To take personal interview wherever it has been essential. The strategy has been adopted to avoid the biased information and to spill out the required data from the respondent.

b. Secondary Data

The Secondary data has been mainly collected from different books, magazines, Journals, Newspapers, Internet etc.

Methodology used for data analysis

• Bar chart (Bar charts has been used for comparing two or more values that will be taken over time or on different conditions, usually on small data set)

• Pie-chart (Circular chart divided into sectors, illustrating relative magnitudes or frequencies)

As the data's has been of various types such as comparing based on value as well as the relative comparison, hence both the tools are to be use for the proper analysis of the data's.

Data refers to a collection of organized information, usually the results of experience, observation or experiment, or a set of premises. This may consist of numbers, words, or images, particularly as measurements or observations of a set of variables.

1. Primary Data

The primary data is collected by using primary methods such questionnaires, interviews, observations etc. For this study questionnaires are used to collect primary data from the employees of the industries.

2. Secondary Data

Secondary data is collected from various Journal, websites, reports, News papers, and other research reports. . For this study, the reports which are available in the organisation are being used.

4. DATA ANALYSIS & INTERPRETATIONS

Question 1. Since how many years have you been working with service industry?

Working Experience	No. of Respondents	Percentage
0-5 years	30	60%
5-10 years	10	20%
10 to 15 years	7	14%
More than 15 years	3	6%
Total	50	100%
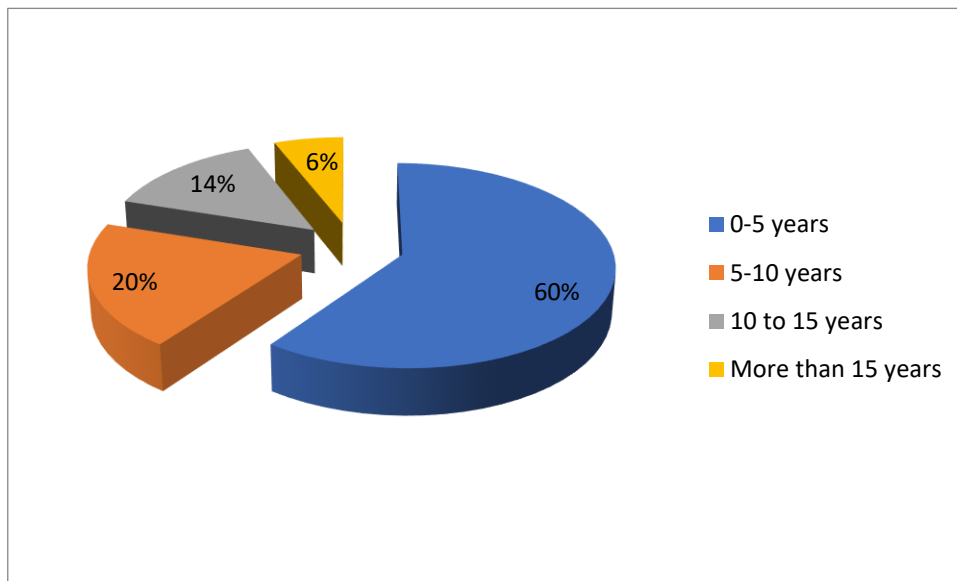
Graph Number 1

Interpretation

In the above graphs shows that 60% of employee working 0-5 years, 5-10 years (20%), 10 to 15 years (14%) & 6% of employee working more than 15 years of the organization.

Question 2. Does the organization clearly define the position objectives, requirements and candidate specifications in the recruitment process?

Particulars	No. of Respondents	Percentage
Yes	36	72%
No	14	28%
Total	50	100%
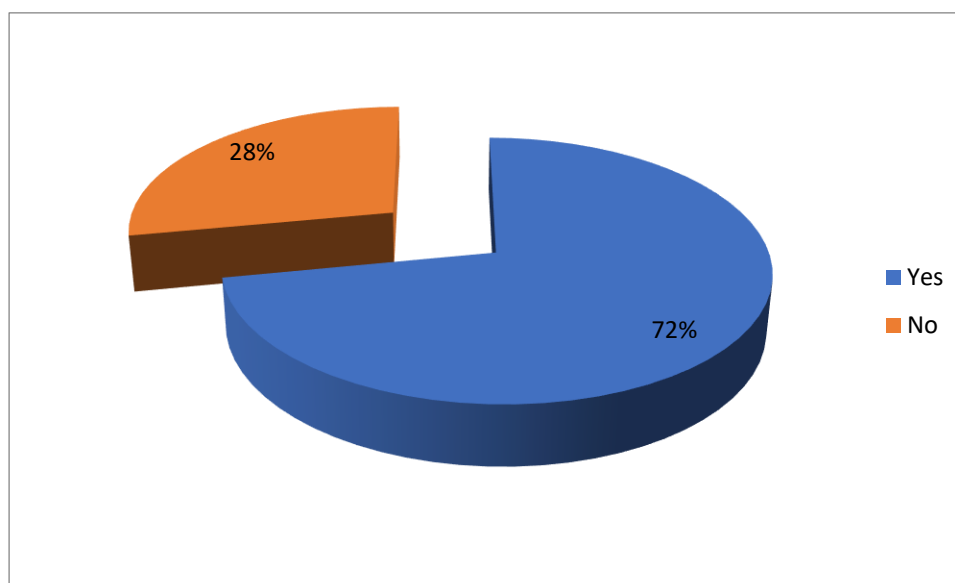
Graph Number 2

Interpretation :

In the above graphs show that 72% of employee agree organization clearly define the position objectives, requirements and candidate specifications in the recruitment process whereas 28% of employee disagree with this statements.

Question 3. How well are the organization's affirmative action needs clarified and supported in the selection process?

Particulars	No. of Respondents	Percentage
Poor	11	22%
Adequate	27	54%
Excellent	12	24%
Total	50	100%
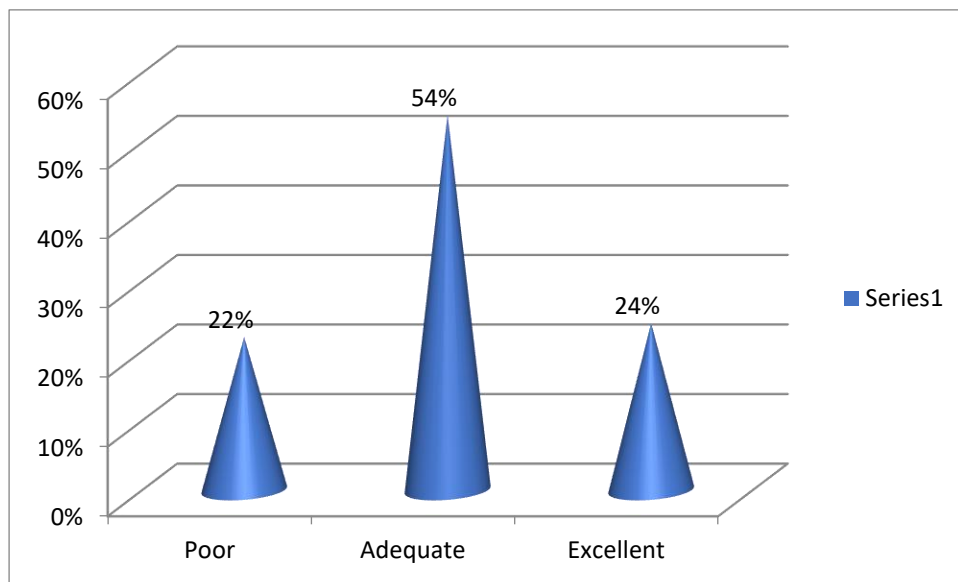
Graph Number 3

Interpretation:

In the above graph shows that 54% of employee says adequate the organization's affirmative action needs clarified and supported in the selection process

Question 4. Is the organization doing timeliness recruitment and Selection process.

Particulars	No. of Respondents	Percentage
Yes	32	64%
No	18	36%
Total	50	100%
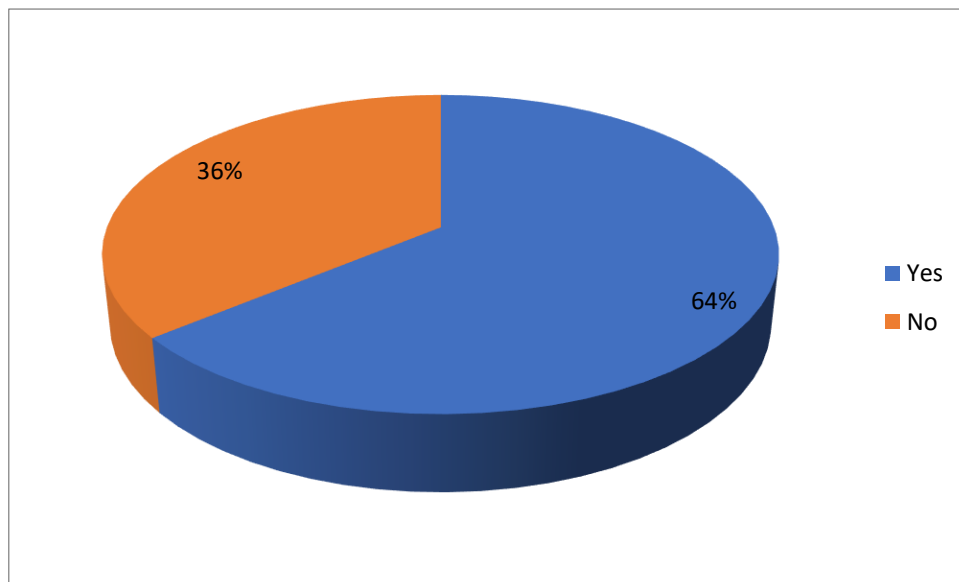
Graph Number 4

Interpretation:

In the above graph shows that 64% of employee says yes the organization doing timeliness recruitment and Selection process.

Question 5. Does HR Provides an adequate pool of quality applicants?

Particulars	No. of Respondents	Percentage
Yes	37	74%
No	13	26%
Total	50	100%
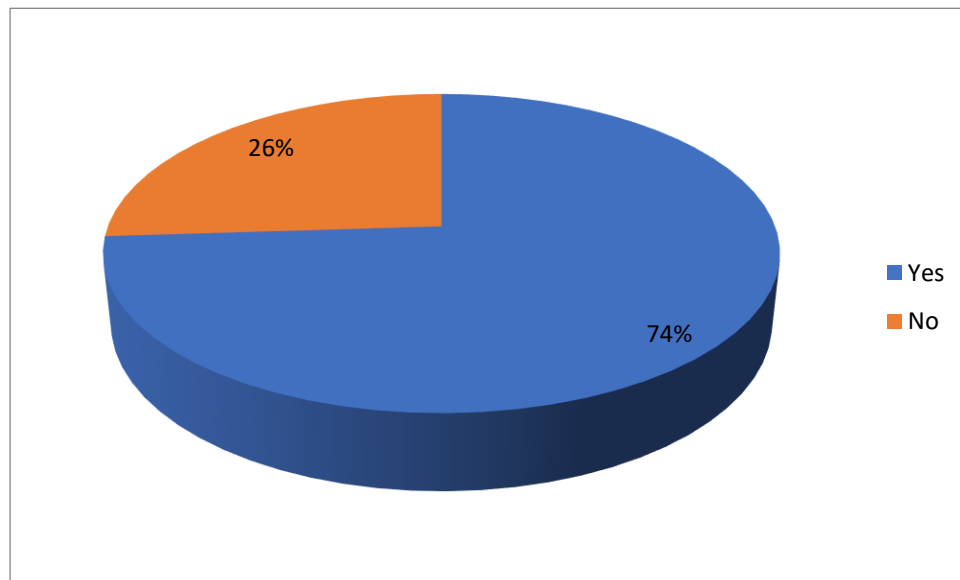
Graph Number 5

Interpretation:

In the above graph shows that 74% of says yes HR Provides an adequate pool of quality applicants.

Question 6. Rate the effectiveness of the interviewing process and other selection instruments, such as testing?

Particulars	No. of Respondents	Percentage
Poor	9	18%
Adequate	16	32%
Excellent	25	50%
Total	50	100%
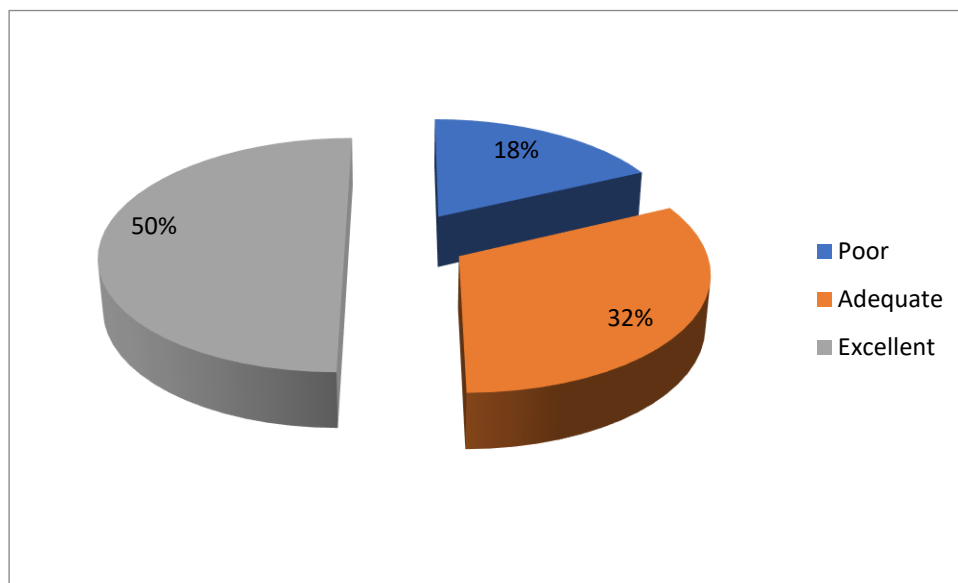
Graph Number 6

Interpretation:

In the above graph shows that 50% of employees says excellent ways of interviewing process and other selection instruments, such as testing.

Question 7. Does HR Provides an adequate pool of quality applicants?

Particulars	No. of Respondents	Percentage
Yes	44	88%
No	06	12%
Total	50	100%
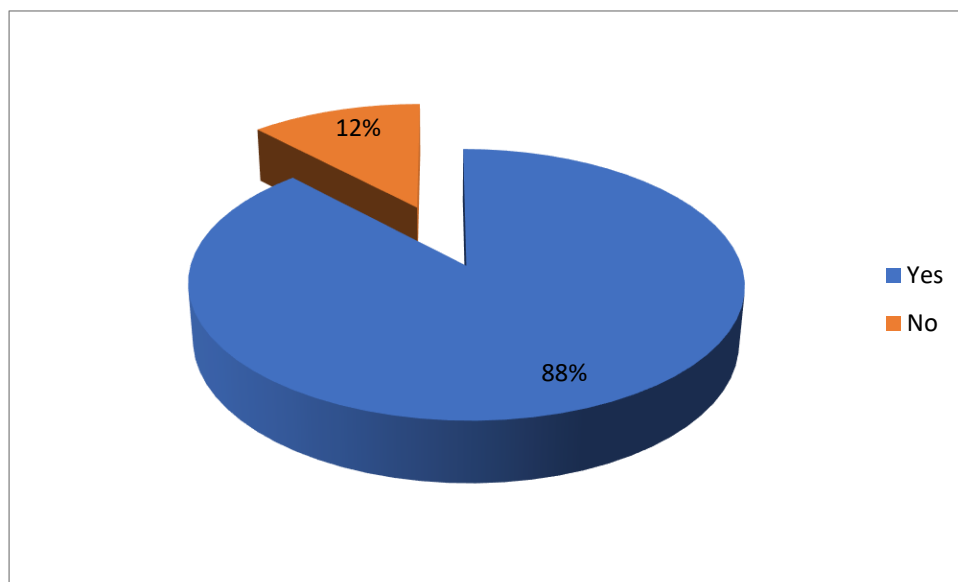
Graph Number 7

Interpretation:

Most of the employee approx 88% of employee Says yes HR Provides an adequate pool of quality applicants.

Question 8. Does HR train hiring managers to make the best hiring decisions?

Particulars	No. of Respondents	Percentage
Yes	38	76%
No	12	24%
Total	50	100%
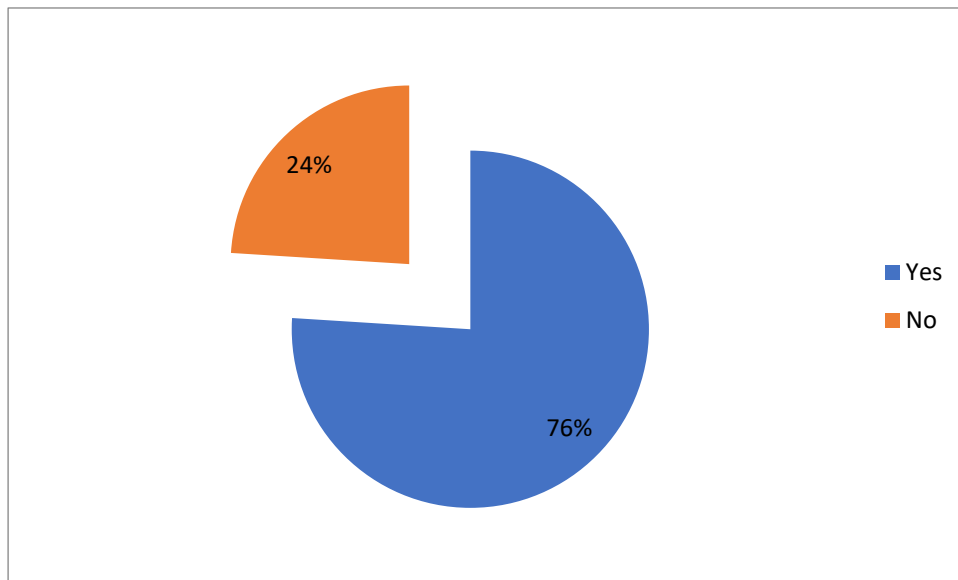
Graph Number 8

Interpretation:

In the above graph shows that 76% of employee agree with this statement.

Question 9. Does the HR Department is efficient in recruitment and selection policy of the employees?

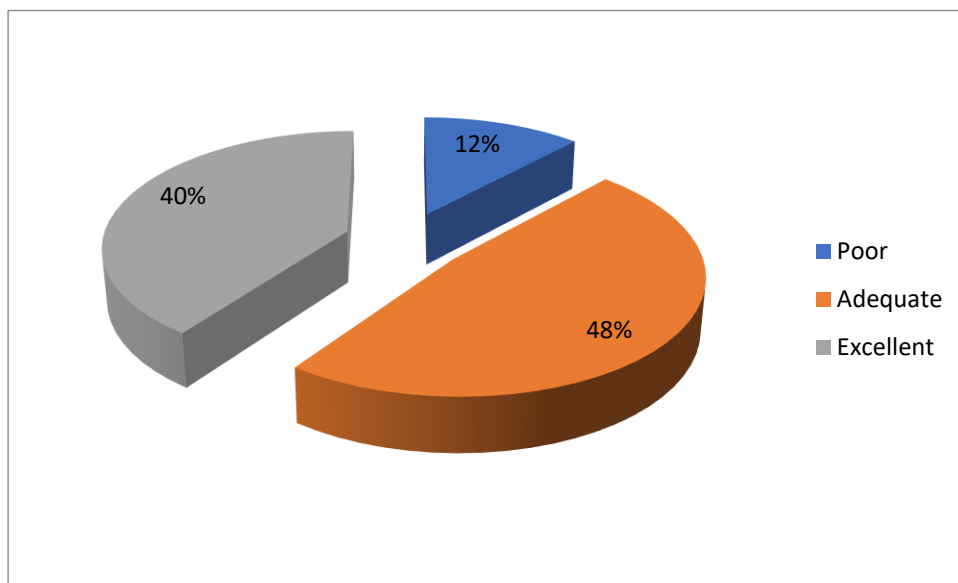| Particulars	No. of Respondents	Percentage
Yes	41	82%
No	09	18%
Total	50	100%
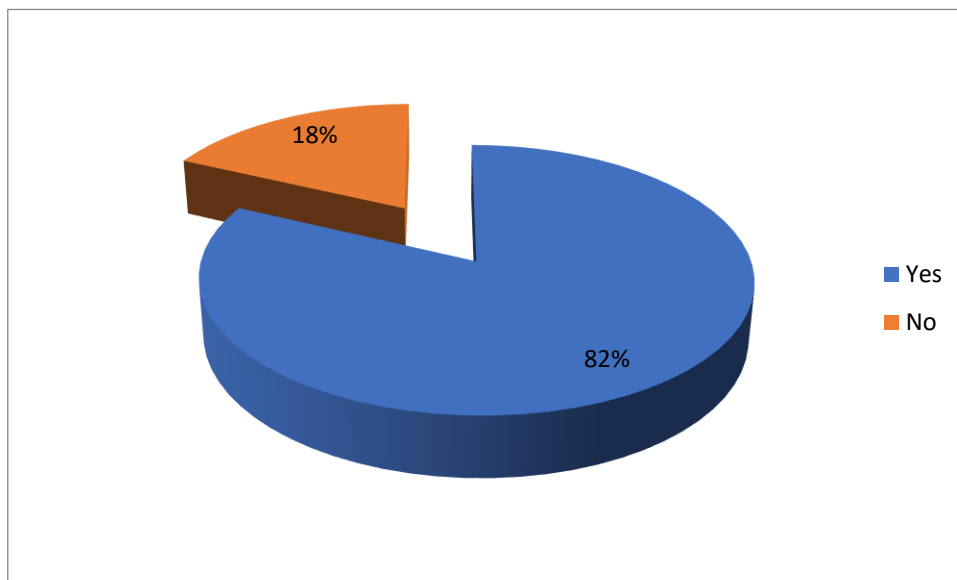
Graph Number 9

Interpretation:

In the above graph shows that 82% of employee says yes the HR Department is efficient in Selection Policy of the employees

Question 10. How would you rate the HR department's performance in recruitment and selection?

| Particulars	No. of Respondents	Percentage
Poor	6	12%
Adequate	24	48%
Excellent	20	40%
Total	50	100%

Graph Number 10

Interpretation :

In the above graph shows that 40% of employee says excellent the HR department's performance in recruitment and selection.

Question 11. The recruitment and selection process of company meets the current and legal requirements?

| Particulars	No. of Respondents	Percentage
Strongly agree	12	24%
Agree	23	46%
Disagree	07	14%
Strongly disagree	5	10%
No Opinion	3	6%
Total	50	100%
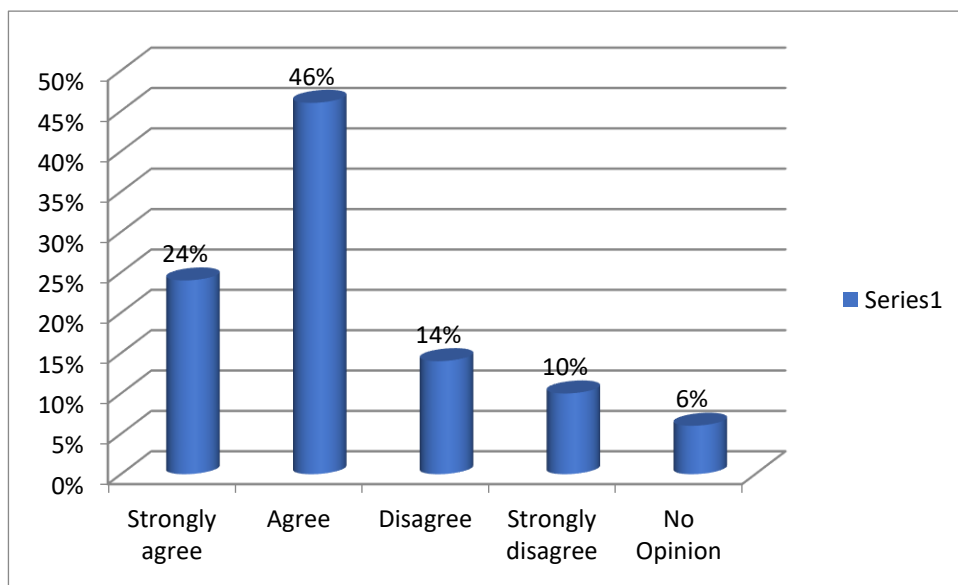
Graph Number 11

Interpretation:

Most of the employee approx 70% of employee agree with the recruitment & selection process of company meets the current and legal requirements.

Question 12. Do you feel that the right job is being performed by the deserved person at your working environment?

| Particulars	No. of Respondents	Percentage
Strongly agree	10	20%
Agree	23	46%
Disagree	10	20%
Strongly disagree	05	10%
No Opinion	2	4%
Total	50	100%
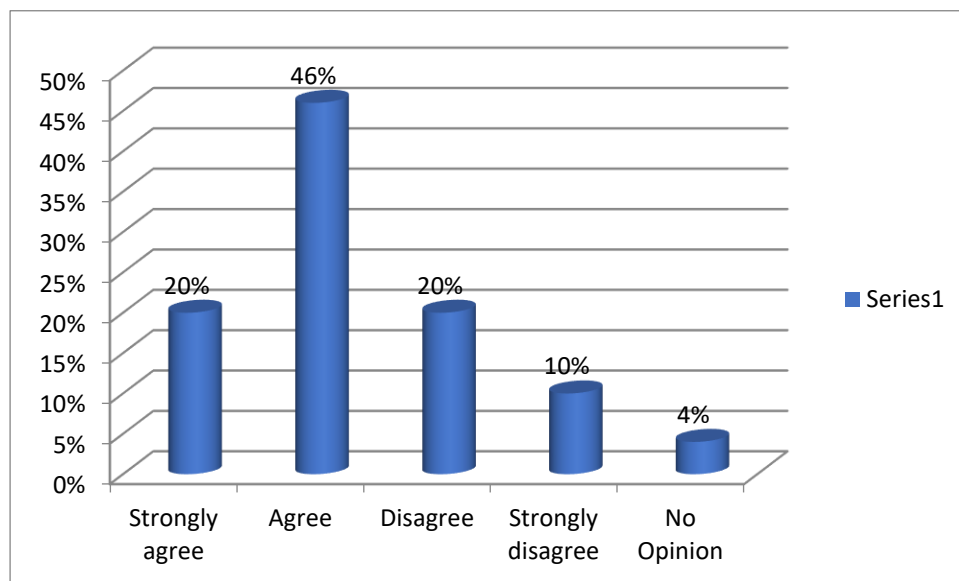
Graph Number 12

Interpretation :

Most of the employee approx 66% of employee agree with right job is being performed by the deserved person at his working environment.

Question 13. Are you happy with the salary what you offered by the company?

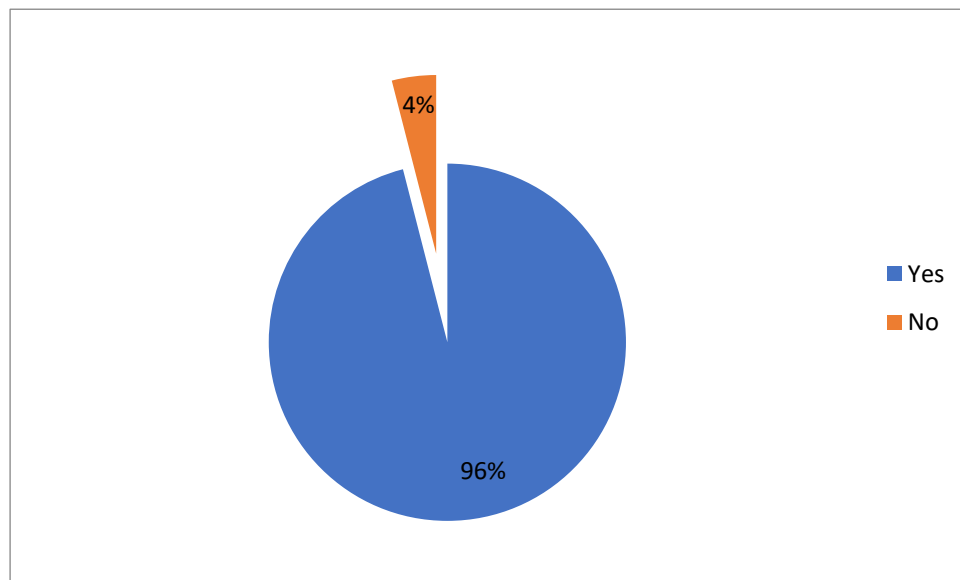| Particulars	No. of Respondents	Percentage
Yes	31	62%
No	19	38%
Total	50	100%
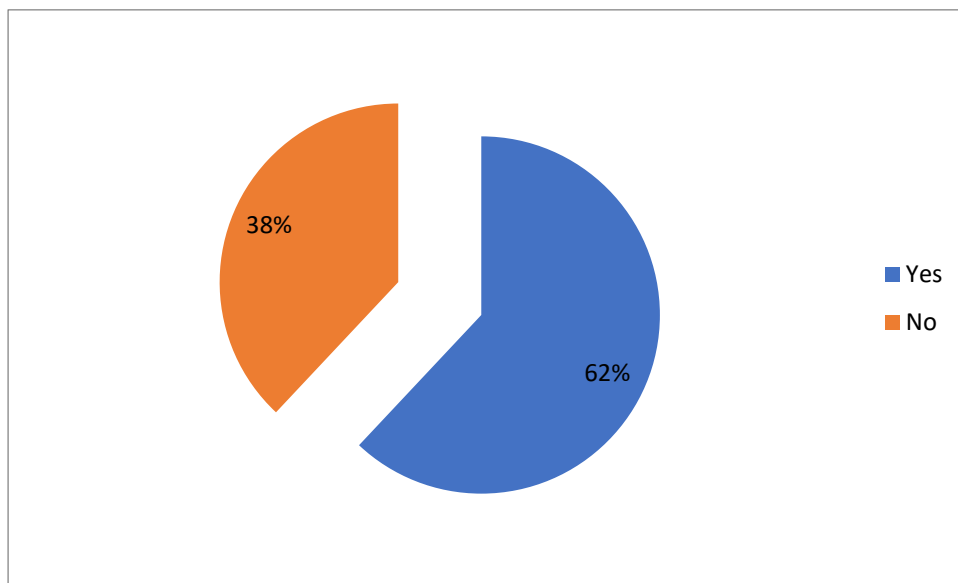
Graph Number 13

Interpretation :

Most of the employee approx 62% of employee satisfied with the salary offered by the company.

Question 14. Does Service Industry   follow effective Recruitment and Selection Procedure?

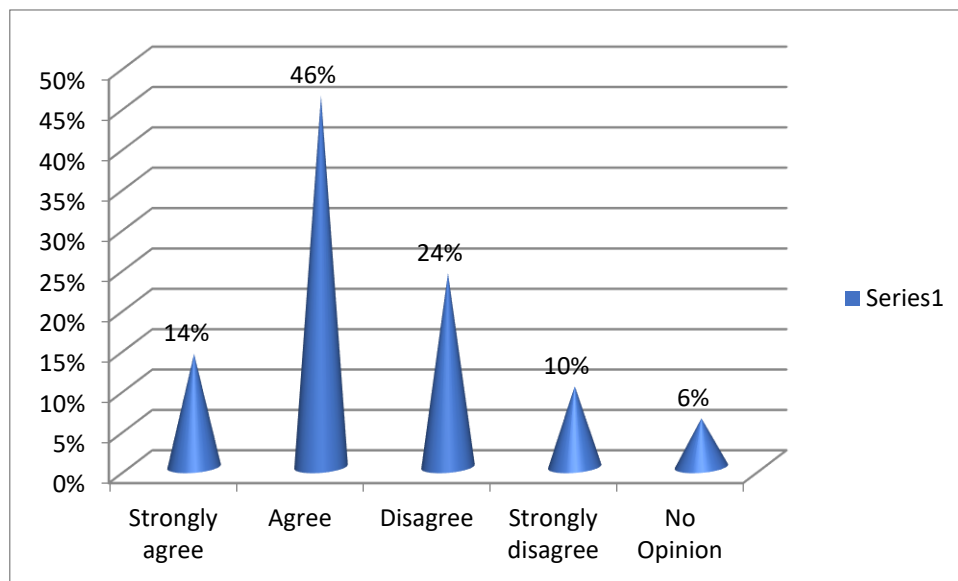| Particulars	No. of Respondents	Percentage
Yes	48	96%
No	02	04%
Total	50	100%

Graph Number 14

Interpretation :

Most of the employee approx 96% of employee Says Service Industry   follows effective recruitment & Selection procedure.

Question 15. The employee's competency matches with the job specification?

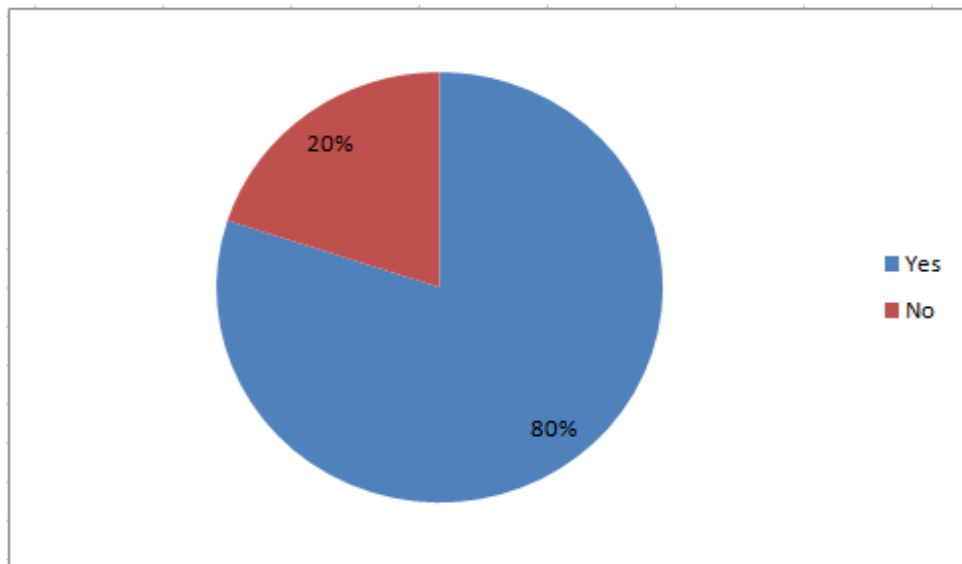| Particulars	No. of Respondents	Percentage
Strongly agree	7	14%
Agree	23	46%
Disagree	12	24%
Strongly disagree	5	10%
No Opinion	3	6%
Total	50	100%

Interpretation :

Most of the employee approx 60% of employee agree with employee's competency matches with the job specification.

Question 16. Do you know what all the domains are functioning in Service Industry are?

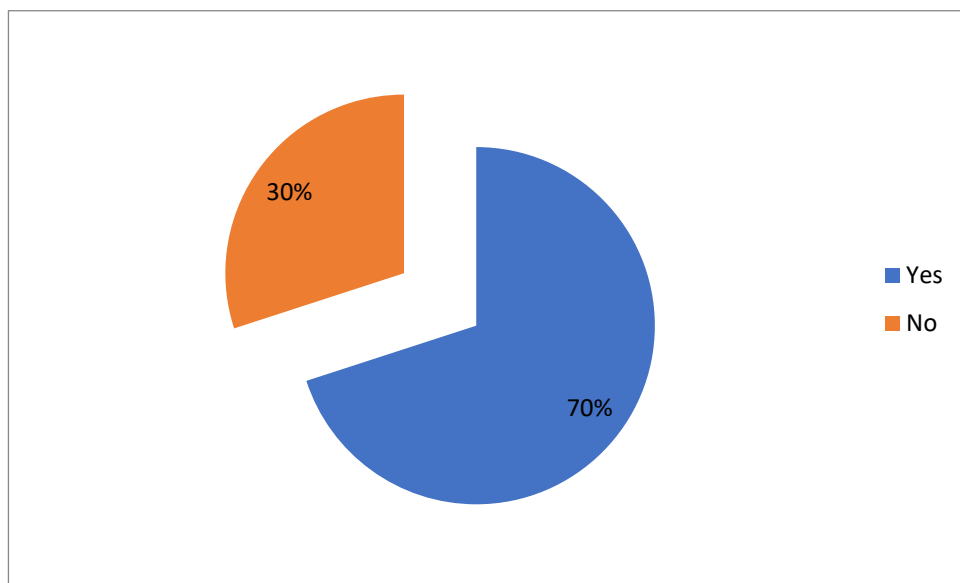| Particulars	No. of Respondents	Percentage
Yes	40	80%
No	10	20%
Total	50	100%

Graph Number 16

Interpretation :

Most of the employee approx 80% of employee agree with all the domains are functioning in Service Industry .

Question 17. Did you have the right Designations?

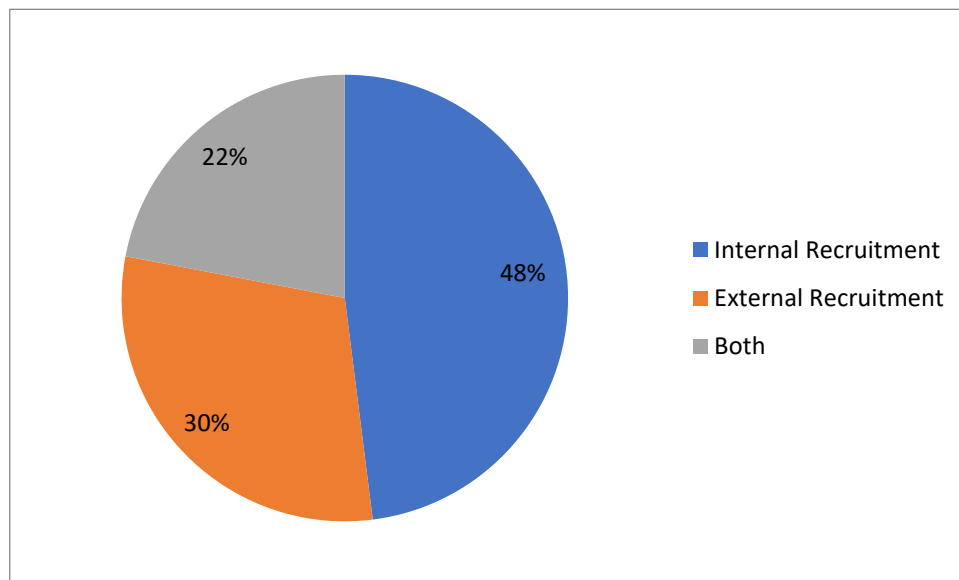| Particulars	No. of Respondents	Percentage
Yes	35	70%
No	15	30%
Total	50	100%

Graph Number 17

Interpretation :

Most of the employee approx 70% of employee agree with they have the right designation in the company.

Question 18. What should be the best recruitment sources according to your preference?

| Type of Recruitment	No. of Respondents	Percentage
Internal Recruitment	24	48%
External Recruitment	15	30%
Both	11	22%
Total	50	100%

Interpretation :

Most of the employee, 48% of employee says internal recruitment is the best sources of recruitment.

Question 19. How do you think about Recruitment and selection procedure in your company?

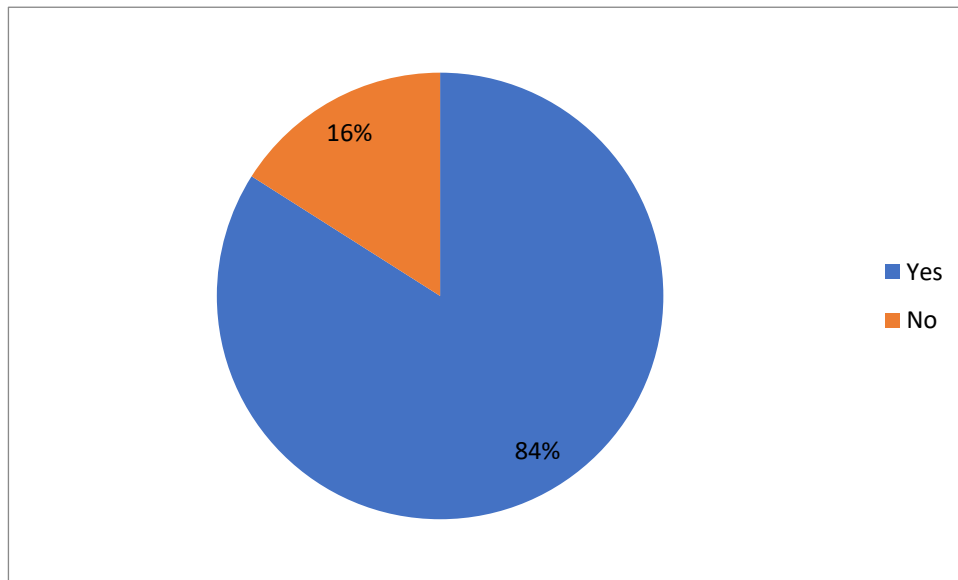| Particulars	No. of Respondents	Percentage
Satisfactory	37	74%
Unsatisfactory	13	26%
Total	50	100%
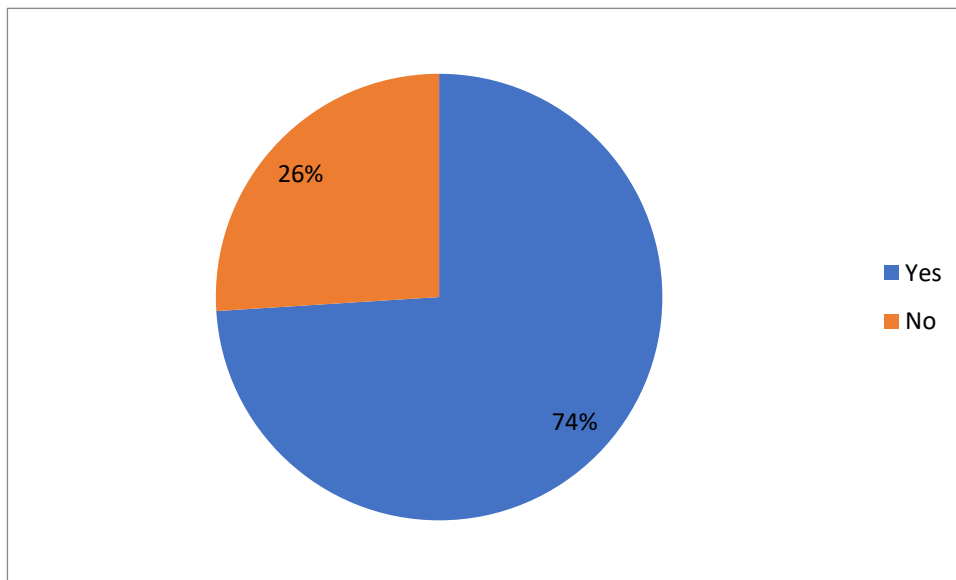
Graph Number 19

Interpretation :

Most of the employee, 74% of employee happy about recruitment & selection procedures at Service Industry in New Delhi.

Question 20. Do you think that the current recruitment process will help to achieve the company's goals?

| Particulars	No. of Respondents	Percentage
Yes	42	84%
No	08	16%
Total	50	100%

Graph Number 20

Interpretation :

Most of the employee, approx 84% of employee agree with the current recruitment process will help to achieve the company's goals.

Question 21. Are you happy with the ways of working of the company?

Particulars	No. of Respondents	Percentage
Yes	39	78%
No	11	22%
Total	50	100%
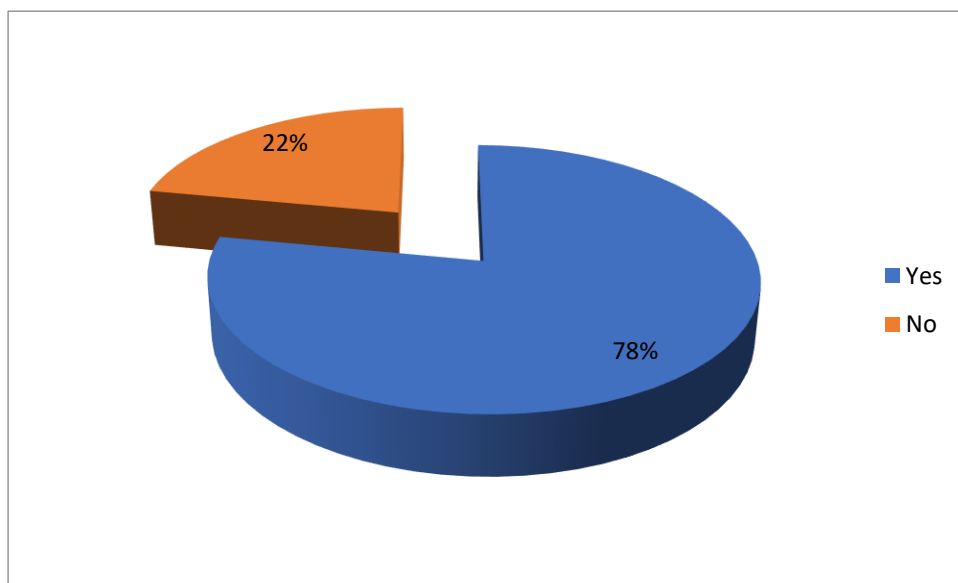
Graph Number 21

Interpretation :

Most of the employee approx 78% of employee happy with the ways of working of the Company.

5. FINDINGS

❖ It is observed that 60% of employee working 0-5 years, 5-10 years (20%), 10 to 15 years (14%) & 6% of employee working more than 15 years of the organization.

❖ It reveals that 72% of employee agree organization clearly define the position objectives, requirements and candidate specifications in the recruitment process whereas 28% of employee disagree with this statements.

❖ It is observed that 54% of employee says adequate the organization's affirmative action needs clarified and supported in the selection process

❖ It is observed that 64% of employee says yes the organization doing timeliness recruitment and Selection process.

❖ It is observed that 74% of says yes HR Provides an adequate pool of quality applicants.

❖ It is observed that 50% of employees says excellent ways of interviewing process and other selection instruments, such as testing.

❖ Most of the employee approx 88% of employee Says yes HR Provides an adequate pool of quality applicants.

❖ It is observed that 82% of employee says yes the HR Department is efficient in Selection Policy of the employees

❖ It is observed that 40% of employee says excellent the HR department's performance in recruitment and selection.

❖ Most of the employee approx 70% of employee agree with the recruitment & selection process of company meets the current and legal requirements.

❖ Most of the employee approx 62% of employee satisfied with the salary offered by the company.

❖ Most of the employee approx 96% of employee Says Services Industry follows effective recruitment & Selection procedure.

❖ Most of the employee approx 60% of employee agree with employee's competency matches with the job specification.

❖ Most of the employee approx 80% of employee agree with all the domains are functioning in Super Cassettes Ltd.-T Series.

❖ Most of the employee approx 70% of employee agree with they have the right designation in the company.

❖ 36% of employee recruit through internal recruitment, 44% of employee throught external and rest 20% of employee recruit both.

- ❖ Most of the employee approx 72% of employee says structural interview would be beneficial to interview.
- ❖ Most of the employee approx 78% of employee happy with the ways of working of the Company.

6. CONCLUSION

Employee turnover and employee attrition both occur when an employee leaves the company. Turnover, however, may result from a number of employment actions, such as discharge, termination, resignation or job abandonment. Attrition occurs when an employee retires or when the company eliminates his job. The major difference between the two is that when turnover occurs, the company seeks someone to replace the employee. In cases of attrition, the employer leaves the vacancy unfilled or eliminates that job role.

High rates of employee turnover can lead to lower worker productivity. Workers who have more experience at a certain company will be more aware of the company's policies, goals and how to fulfill their roles in the company. New workers often require time to learn how to fulfill their roles; since companies with high turnover will tend to have more inexperienced workers, they may also suffer from lower worker productivity. Small companies with few total employees may find it especially difficult to replace workers, as workers may fill a variety of different specialized roles.

High turnover can harm a business's ability to retain customers and provide high-quality customer service. Customers may feel more comfortable talking to the same employees and customer service representatives over time. Personal relationships and familiarity can build customer loyalty. Small businesses are better positioned than large competitors to take advantage of this, but if workers are constantly leaving and being replaced by new ones, it may limit the ability of the business to form a strong rapport with customers. A 2008 study carried out by Zeynep Ton and Robert S. Huckman of the Harvard Business School on a major chain of retail bookstores found that higher employee turnover was associated with lower-quality customer service.

High rates of turnover lead to higher costs related to recruiting and training new employees. It costs businesses money to hire human resource workers to interview and hire candidates and training new workers can be a costly process that diverts skilled workers from revenue-generating activities. Experienced workers who have to frequently train new hires are less able to concentrate on their normal job duties. In a small business, the owner himself might have to train new employees.

LIMITATIONS

❖ All the secondary data was not readily available.
❖ Shortage of time factors one of the major constraints.
❖ It is very difficult to check the accuracy of the information provided.

- ❖ The method will be unsuitable if the number of employee to be surveyed is less as it will be difficult to draw logical conclusions regarding the satisfaction level of employee.
- ❖ Respondents were found hesitant in revealing opinion about supervisors and management.
- ❖ All the observation and recommendation has been made on the feedback obtained from survey.

7. SCOPE OF STUDY AND SUGGESTIONS

1. Once procedures are clearly defined, hiring managers and supervisors should be trained regarding the requirements of the process. Training should include not only what steps are required to recruit and select employees, but how to interview candidates appropriately and effectively. Include applicable laws and regulations, as well as the organization's goals during training.

2. Small businesses should include a senior member of the organization during the recruitment and selection process. If an organization does not have a human resources department, someone who is responsible for making high-level decisions for the organization should be involved.

3. Before starting a recruitment and selection process, job descriptions should be defined for each role in the organization.

4. Policies and procedures should be defined and adhered to for the recruiting and selection process, and should ensure that everyone in the organization adheres to local, state and federal regulations. Policies should provide a list of guiding principles for hiring personnel to follow, and procedures should provide the required steps for recruitment and selection.

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