

Impact of attrition on productivity



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Its most common nowadays for to see productivity and efficiency targets as part of finance plans. For a cost centre meeting a productivity target is as important as a revenue target for a revenue centre. And with the recessionary trend becoming more visible in IT and ITES industry, its implicit that the productivity pressures are set to rise even more. Most of the operations managers would focus efforts on training initiatives, process improvements and strategic/tactical automations while trying to

achieve the productivity targets. Attrition however is a variable that is counter productive to various productivity tools employed by the management. In below study, we are taking a hypothetical example of a 20-member team in a financial services industry with 1600 units of production capacity target that needs 100 days' worth of production support. The example assumes an effective operations productivity of approximately 9%.

Team size of 20 working with 9% productivity and zero attrition (table 1)

Period	Year	Attrition %	Net productive head count	Non-productive head count	Hours required	Units produced annually	Hours per unit	Productivity %
0	2019	-	20	-	28400	1600	17.75	
2019-20	2020	-	20	-	25700	1600	16.06	9.51%
2020-21	2021	-	20	-	23300	1600	14.56	9.34%
2021-22	2022	-	20	-	21200	1600	13.25	9.01%
2022-23	2023	-	20	-	19300	1600	12.06	8.96%

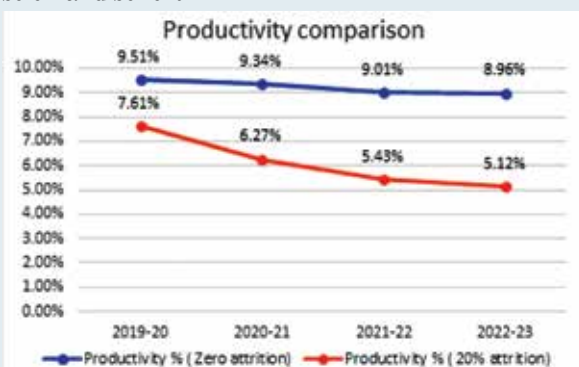
Team size of 20 working with 9% productivity and 20% attrition (table 2)

Period	Year	Attrition %	Net productive head count	Non-productive head count	Hours Required	Units produced annually	Hours per unit	Productivity %
0	2019	-	20	-	28400	1600	17.75	
2019-20	2020	20	16	4	26240	1600	16.40	7.61%
2020-21	2021	20	13	7	24596	1600	15.37	6.27%
2021-22	2022	20	10	10	23261.6	1600	14.54	5.43%
2022-23	2023	20	8	12	22071	1600	13.79	5.12%

In the table 2 where we have assumed 20% attrition, it is also assumed that the resource joining in 2020 would be operating at an effective productivity rate of 2019 while performing in 2020. Similarly, the resource joining in 2021 will operate at an effective productivity rate of 2019 during 2021, the resource that joined in 2020 will operate at an effective productivity rate of 2020 during 2021 so on and so forth.

give a lot of focus to productivity improvement measures, they need to look at identifying reasons of attrition and keep the employee turnover to minimum for the productivity tools and techniques to yield the desired results. Although 20% is considered to be a standard attrition rate in IT/ ITES/ Financial services industry, it only works when the core talent of the team is retained. Its also seen that in scenario of heavy attrition, where there is a constant turnover of resources, the work pressure on core team members increases, leading to fatigue and over period leads to attrition of core team members as well.

As a recommendation, organizations should task the HR and Compensations teams with identifying a competitive industry rate that will help retain the employees leading to lower turnover. Although increased compensation packages may mean higher cost to the cost centre, it will still negate the impact of higher costs incurred in hiring people at market rates and training them. Also, the industry players need to work towards some sort of internal agreements whereby internal poaching can be discouraged leading to better tenures and healthy productivity rates for all the industry players. All of this would be essential for organisations to stay green in terms of their operating performance and in turn lead to better and more fulfilling careers for their employees.



When we plot the productivity comparison prepared in the above 2 tables graphically we can see that constant attrition leads to increasing decline in productivity that can be evidenced based on the widening gap between the 2 curves. While most organizations