



A Study to Explore the Impact of Performance Appraisal and Rewards on Employees Attrition Level

Kulshrestha S*

Department of Management Studies, Atlas Skill Tech University, India

***Corresponding author:** Shilpi Kulshrestha, Associate Professor, Department of Management Studies, Atlas Skill Tech University, Mumbai, India, Tel: +91 9610333777; Email: kulshrestha.shilpi@yahoo.com

Received Date: July 25, 2024; **Published Date:** August 07, 2024

Abstract

The shift from Industry 4.0 to Industry 5.0 has brought the human touch to the technology, equipment, and robots that will play a significant role in this revolution. Because these devices or technologies will be used in conjunction with people, managing the organization's human resources will face new issues. The industrial revolution aims to improve employee satisfaction by improving in employee performance appraisal process in the organizations, reward mechanisms as per industry 5.0 requirements to gain competitive advantages as well as economic growth for the organization which may also help to reduce attrition level. The study was conducted at IBM -Bangalore with the purpose of understanding the relationship between employee performance, rewards, and attrition levels in the IT industry, and to study what new dimensions of Performance measurement are being devised as per Industry 5.0 requirements so that employees can feel satisfied at the workplace and feel motivated from an effective reward and recognition system which may also in turn may help to reduce attrition for an organization's sustainability. Data was gathered through surveys and interviews with IBM employees of Bangalore from various departments. According to the findings, there is a significant relationship between employee performance and rewards and employee attrition levels. Furthermore, the study emphasizes the importance of effective reward systems in retaining top-performing IT employees. These findings can help human resource managers design effective reward systems to improve employee retention rates in the IT industry as per current Transition in Industry 5.0

Keywords: Employees Performance; Rewards; Attrition Level; Employee Satisfaction Level

Introduction

The phrase "attrition" refers to a worker's decline inside a company. Employees may leave a company for a variety of reasons, such as promotion within another organisation, changing careers, or pursuing higher education. People typically quit their jobs to join a company with a better organisational culture, value, career opportunities, pay, and benefits. When an employee leaves their current position for

a variety of reasons, this is known as attrition. It happens when an employee leaves a company where they were paid for their efforts. It denotes a reduction in the workforce due to retirement, resignation, or death. Employees leave when their expectations for compensation for the services they receive are not met by the company. Employee attrition rates in any company are influenced by a variety of factors, some of which can be attributed to both the employer and the employees. Pay, benefits, attendance, job performance,

and other workplace factors have a significant impact on employee turnover. The Indian IT industry recorded 25.2 per cent employee attrition in FY22. Attrition occurs when an employee leaves his or her current job for a variety of reasons. It is the termination of an employee's membership in an organisation where he or she received monetary compensation for the work performed. It is a decrease in the number of employees because of retirement, resignation, or death. Employees leave because the organisation fails to meet their expectations in exchange for the services they receive. Employee attrition rates are affected by a variety of factors, which can come from both the employer and the employees. The importance of wages, benefits provided by the employer, attendance, and job performance in determining employee turnover. The corporation itself, IBM, performed the poll to determine the company's attrition rate, and data from that survey was used in this study. No of their location, sector, or size, all organisations must deal with the issue of attrition. A company's costs associated with employee attrition include those associated with business interruption, employing new employees, and training new employees. As a result, understanding and reducing worker attrition are of major business importance.

Literature Review

- **Arora S, et al. [1]:** A Study on Attrition Rate in BPO Industry: A Case Study of Chennai Stated that the expectation and satisfaction level of employees in BPO will not be same when it is considered to the employee's performance. The various reasons for attrition among employees in selected BPO. A proper and open system of performance evaluation and professional training may be the solution to the problem. The self-esteem is also considered has one of the most important needs of any human being. As these results in the addressing the need may be a solution to the problems.
- **Immaneni KM, et al. [2]:** A Study on Factors Effecting the Employee's Attrition in Hotel Industry with Reference Hyderabad Scholar is explaining that factors that affecting the employee attrition in hotel industry. He focused on the Reduced work timing and followed by the offering the Incentives/Recognition of employees for their contribution so that the attrition will be cut down to some extent.
- **Venkatesh DN [3]:** Study on Impact of Employee Training & Development on Attrition- "Hospitality Industry, Goa" The author is analysing that the training and the development is the most important thing in hospitality industry. To evaluate the relationship between staff training and employee commitment and turnover in the industry. Employees in the hospitality industry

benefit greatly from training because it increases their competency and leads to better performance. The study demonstrated that hospitality organisations can reduce employee attrition by investing in training and development.

- **Raja VAJ, et al. [4]:** A Study to Reduce Employee Attrition in It Industries This study is helpful in finding out the most industries are retaining employees where in other hand the employees also should get the on-the-job training which helpful in the employees' performance in the company. They understand the opinion and attitudes of the various categories of employees of IT sector towards the reduction of employee attrition in the organisations.
- **David S, et al. [5]:** Attrition in It Sector Stated that escaping the issue of attrition is not an unattainable goal when employees are truly committed and dedicated to their work, attrition can be reduced. To reduce employee turnover, in-depth hiring or exit interviews are beneficial. The privatisation of the IT sector has resulted in a variety of reasons for attrition.

Objective of the Study

- This study is to identify the impact of employee's performance which affects the attrition level in IT industry (IBM).
- To understand the underlying factors that retains the employee in IBM.
- To examine the steps taken to reduce attrition in the IT industry.
- To explore a solution to this significant issue.

Limitations

- This research is limited to IT sectors only.
- The data which are collected are confined with employee's turnover in the firm.
- Secondary data is collected for selected company because time constraint.
- The analysis which is made is applicable only to selected IT firms.

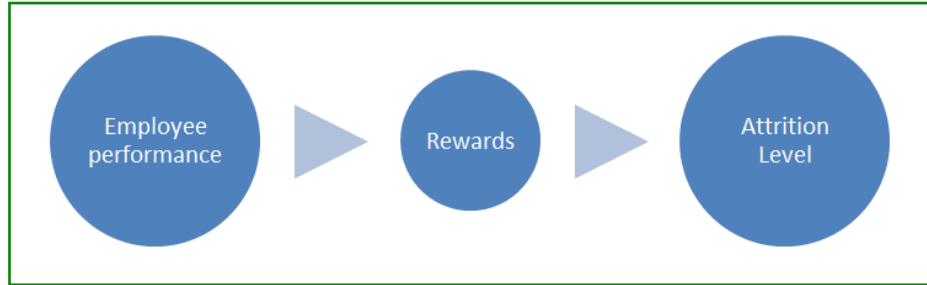
Research Methodology

- **Type of Research:** Empirical Research.
- **Sample size:** 204 (IBM).
- **Data type:** Primary data source from a structured questionnaire.
- **Tools and Techniques:** Descriptive Research, Regression analysis, Correlation analysis.

Conceptual Frameworks

Employees Performance

Employee performance refers to the employee's productivity, output generated during the work. It involves the qualitative and quantitative output generated the workplace is called as employee performance. This employee performance mainly depends on the motivation at the work.



Rewards

This will also influence the attrition directly or indirectly where the employees are majorly concern about the rewards. When it comes to the IT sector the employees need the recognitions, rewards. With the rewards and appraisal employees will get some sort of satisfaction so that attrition can also reduce in the origination. According to this paper the rewards will plays a major and important role in the reducing of the employees in the organisation.

Data Analysis and Interpretation

Descriptive Statistics

	N	Mini mum	Maxi mum	Mean	Std. Deviation
Age	203	0	4	2.2	1.01
Gender	203	1	2	1.4	0.492
Monthly income	203	1	4	1.7	0.93
Environment Satisfaction	203	1	4	2.66	1.043
Performance Rating	203	3	4	3.212	0.4096
Attrition	203	1	2	1.85	0.356
Training Times Last Year	203	0	6	2.72	1.287
Job Satisfaction	203	1	4	2.77	1.09
Valid N (listwise)	203				

Interpretation: In the above descriptive statistics output where the table contains sample size of 203 respondents from the IBM data source which was collected in the company for measuring the attrition level in the company. The variables like age, gender, monthly income, environment satisfaction, performance rating, attrition, training, and job satisfaction are considered, and this analysis is done for knowing the reasons for the frequent attrition level. Hear the demographics analysis is done like when it comes to the gender among the 204 respondent's the male candidates was

more in numbers and the different age group of employees fall under the age group of the 31-40 years and the income level of the individual and the group of employees was between the twenty thousand only.

Regression Table

SL.NO	VARIBELS	F	SIG
1	Attrition level v/s Age	1.34	0.25
2	Attrition level v/s Income	2.22	0.14
3	Attrition level v/s Training	0.07	0.79
4	Attrition level v/s Employees job satisfaction	0.03	0.86

Interpretation: The above table shows the difference between Attrition level as a Independent factor and Age, Income, Training and Employees job satisfaction is a dependent factor. It is identified from the above table then significance value for the age of the employees is 0.25; income of the employees 0.14, Training is 0.79, and the Employees job satisfaction is at 0.86 It is evident that all values are greater than 0.05 at 5% level of significant. Thus, it is concluded that null hypothesis is accepted and proven there is no difference between attrition level and age, income, Training, and Employees job satisfaction.

- **H01:** There is no significant relationship between performance rating and employee attrition.
- **Ha1:** There is a significant relationship between performance rating and employee attrition.

Correlations

			Performance Rating	Attrition
Kendall's tau_b	Performance Rating	Correlation Coefficient	1	-0.056
		Sig. (2-tailed)	.	0.427
		N	203	203
	Attrition	Correlation Coefficient	-0.056	1
		Sig. (2-tailed)	0.427	.
		N	203	203
Spearman's rho	Performance Rating	Correlation Coefficient	1	-0.056
		Sig. (2-tailed)	.	0.428
		N	203	203
	Attrition	Correlation Coefficient	-0.056	1
		Sig. (2-tailed)	0.428	.
		N	203	203

Interpretation: In the above table the significance value of performance rating is at 0.203% and attrition is at 0.428% hence here the H0 as no significant correlation on performance rating and the attrition level. There is a positive correlation between employee performance and attrition of

employees.

- **H02:** There is no significant difference between Employees job satisfaction and attrition.
- **Ha2:** There is a significant difference between Employees job satisfaction and attrition.

ANOVA

	DF	SS	MS	F	Significance F
Regression	1	0.03	0.03	0.03	0.86
Residual	201	240.08	1.19		
Total	202	240.12			

	Coefficient	Standard Error	T Stat	P value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.84	0.41	6.96	0	2.03	3.64	2.03	3.64
Job satisfaction	-0.04	0.22	-0.17	0.86	-0.46	0.39	-0.46	0.39

Interpretation: The above regression statistics table shows the R square value is 0.03, hence there is only a 3% the impact of employee job satisfaction on the attrition level, and the p= value of the statistics is at 0.86% which is greater than the 0.05%, so we conclude that H0 is accepted at 5% level, hence we conclude that there is no significance relationship between the employee job satisfaction on attrition level.

Results of the Study

The following Findings were observed from the study:

- As per the study most of the employees belong to the age group of 31-40 years which 75% and 25% of employees belong to the age group of less than 20-30 years [6].
- As per the study 60% of male employees and 40% of

female employees.

- The impact of age on the attrition level is 1% where the age factor is affecting less in the organization, the income level which makes the impact on the attrition level with 5%, In the organization, where it has a 7% impact on attrition, employee training and development is more crucial.
- There is a positive correlation between employee performance and rewards and lower levels of attrition [7]. Employees who feel valued and recognized for their efforts are more likely to stay with a company.
- Financial rewards, such as bonuses and salary increase, can be effective in reducing attrition, but non-financial rewards, such as opportunities for growth and development, can also play a significant role.

- The income level which makes the impact on the attrition level with 5%.
- The performance rating of the employees is positively correlated with attrition.

Performance evaluation metrics: Analyse the performance evaluation metrics currently used by the IT companies and their effectiveness in measuring employee performance.

Conclusion

According to the survey, companies in the IT sector, like IBM, should concentrate on rewarding and recognizing top performers to lower attrition rates and boost staff retention. By recognizing and rewarding employees who contribute to the success of the organization, companies can create a positive work environment that supports employee motivation and job satisfaction. The results of this study can be used by organizations in the IT industry to develop strategies to reduce employee attrition levels and increase employee retention. The study has looked at the main factors that trigger attrition of employees in the selected IT sector. They include job satisfaction, performance appraisal, and rewards. Here the organization should make the employees appraised there and then, they must be trained, for the betterment of the performance the employees should undergo with certain training programmes, which helps in the reduce of employee's turnover in the organization. To establish the sample size and gather secondary data, the study used a straightforward randomization process. The study has framed the objectives and applied the various statistical methods. To measure the attrition level in the IT industry IBM, and we analysed that the performance appraisal should be provided for the employees in the organization and increase in the up skilling of employees will reduce the turnover in the organization. A comprehensive approach that includes both financial and non-financial rewards can be more effective in reducing attrition than a focus solely on financial rewards. To

effectively reduce attrition, companies must understand the specific needs and motivations of their employees and tailor their performance and reward programs accordingly.

References

1. Arora S, Rawat S, Bisht P, Srivastava P (2021) A Study on Attrition Rate in BPO Industry: A Case Study of Chennai. *Elementary Education Online* 20(2): 3015-3033.
2. Immaneni KM, Sailaja VN (2019) A Study on Factors Affecting the Employees Attrition in Hotel Industry with Reference Hyderabad. *International Journal of Management* 10(6): 170-176.
3. Venkatesh DN (2017) Study on Impact of Employee Training & Development on Attrition- Hospitality Industry, Goa. *International Journal of Research in Business Management* 5(6): 71-82.
4. Raja VAJ, Kumar RAR (2015) A Study to Reduce Employee Attrition in IT Industries. *International Journal of Marketing and Human Resource Management* 6(3): 1-14.
5. David S, Kaushik S, Verma H, Sharma S (2015) Attrition in the "IT" Sector. *International Journal of Core Engineering and Management* 2(1): 236-246.
6. Jha R, Mishra MK (2015) A Study of HRM and Employee Performance in the Banking Sector in India. *International Journal of Advance Research and Innovative Ideas in Education* 1(3): 24-28.
7. Hameed A, Waheed A (2011) Employee Development and Its Affect on Employee Performance a Conceptual Framework. *International Journal of Business and Social Science* 2(13): 224-229.