



ATTRITION AND EMPLOYEE RETENTION STRATEGY IN INDIAN INDUSTRIES- AN OVERVIEW

Dr. A. T. Jaganathan*

Fahiza Begum A.K**

**Head, Department of Business Administration, K.S. Rangasamy College of Arts & Science, Tiruchengode.*

***Research Scholar, Department of Business Administration, K.S. Rangasamy College of Arts & Science, Tiruchengode.*

Abstract

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. Employee retention is an important ongoing process in which the organization retains the employees for the maximum period of time or until the completion of the project. It is a continuing employment relationship. Today, organizations find out that balance of power which has shifted from the employer to employees. Excessive turnover is a sign of fundamental problems within the businesses and it is very important to know that how to retain employees in the particular organization. In this article, meaning and definition of attrition and retention, causes of retention and retention strategies to be followed by the organizations have been described. In addition, the recent trends in attrition in various Indian industries viz., manufacturing and Engineering Industry, IT industry, Banking, Financial and insurance services industry are also presented.

Keywords: Attrition, Voluntary and Involuntary, Employees Turnover, Employees Retention Strategy.

Introduction

Attrition and Turnover is used interchangeably nowadays by the organizations, the term has gone through a lot of change over the years. Employee attrition means the process of gradual worn out- when the employees after years of work would want to move out and relax. This process as coined should take around 40 years. This is what generally the working years of any professional was in the past, the term has changed and in this century the process takes just 3 – 4 years on an average. It has become abrupt, sudden and sometimes highly drastic. The term thus, has become synonymous to employee turnover. 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.

Kinds of Attrition

Attrition is broadly categorized into Voluntary and Involuntary and Positive & Negative Attrition.

- **Voluntary Attrition:** Voluntary attrition means the employee is leaving on his own interest.. In other words, the employee resigns from his organization for his personal reasons. Voluntary attrition is one of the major discomforts for companies in growing economies. In India, the maximum voluntary attrition is found in IT sector.
- **Involuntary Attrition:** It is an impulsive termination of the employee by the employer. There are two basic types of involuntary termination viz., “fired” and “laid off.” To be fired, as opposed to being laid off, is generally thought of to be the employee’s fault, and therefore is considered in most cases to be dishonorable and a sign of failure.
- **Positive Attrition:** Positive turnover occurs when the workforce experiences change due to new employees bringing fresh ideas and perspectives to the company replace workers who are terminated for poor performance. Infusing new talent in an organization can re-energize the workplace, catapult productivity and boost profitability. Replacing a stagnant workforce can be costly; however, employers ultimately realize the return on investment in recruitment and selection processes for new and fully engaged employees.
- **Negative Attrition:** Negative turnover is often stated as unwanted turnover. It's easy to understand why turnover is considered negative or undesirable when employees leave under a cloud of circumstances such as suggested wrongful termination, mass exodus of disgruntled workers or workplace conflict. Mass layoffs, business closure and plant shutdowns also can be classified as negative or undesirable turnover have a devastating impact on workers and the surrounding community. For example, when employees suffer job loss from a plant shutdown, surrounding companies that provide services such as meals also suffer from lost revenue.

Attrition in India

The attrition rate in Indian industries during the year is found to have been registered as 25 percent of which fresher-level attrition is around 12-14 per cent while at senior-level it would be in the range of 8-10 per cent, according to the survey



conducted by Job Portal Wisdom Jobs. It has been stated in the survey that a vast employee turnover would be seen in most of the industries in India in the subsequent years. The sectors that are expected to get severely impacted are IT, ITES and software as these segments are expected to witness attrition of 25 per cent or more at entry-level positions, Meanwhile, industries like FMCG, pharma and aviation exhibited a comparatively lower attrition rate at 18 per cent, 12 per cent and 15 per cent, respectively.

According to the report of Annual Salary Increase survey conducted by Aon Hewitt, the attrition levels are at a five-year low. It is stated in this survey that 16.3 per cent attrition is the lowest in Indian industries since the 2009 financial crisis. While attrition was controlled at a broader level, key talent attrition increased from 5.9 per cent in 2014 to 7.3 per cent in 2015. The survey report further stated that higher attrition is linked to higher economic activity and at an average pay increase budget of 10.3 per cent across India, HR managers will be pushed to ensure they are being more innovative and thoughtful in how they reward their top performers while ensuring they are able to retain and motivate the rest of the organization as well in the services space.

Over the last few years, while employee expectations have gone up, Aon Hewitt's data shows that companies are managing these higher expectations carefully and are not getting swayed by it. The focus on performance differentiation is far higher with a larger proportion of budgets being allocated to higher performers. Additionally, in the last five years, the percentage of employees with top performance rating has dropped by close to 30 per cent, implying that organizations are not hesitating to differentiate sharply on the basis of performance and are allocating the share of the total increase budget accordingly.

Attrition in Manufacturing and Engineering Industry

The average attrition rate across this industry during the last five years is found to be 11.8%. Highest attrition rate is seen at junior level especially clerical cadre which is 14.2%. The manufacturing sector in India is growing almost at the same rate as IT. The attrition rate too in this sector is known to be very high and is a major challenge to its growth.

Attrition in IT Industry

Employee attrition in IT companies in India endures to be a fiery issue now days. Maximum attrition is found among lower-level software companies which are taking advantage of opportunities elsewhere, including with US- and Europe-centric vendors building delivery centers in India. Overall attrition rate across Indian IT industry is found to have been registered from 16 to 18% during the last five years.

Attrition in Automobile Industry

The Indian automobile industry is one of the largest sectors in India and a key contributor to the country's economy. Employee attrition at the junior management level is one of the major problems in this sector. The overall attrition in this sector is found to have been registered as 11%. Attrition rate of clerical level has been identified as 14%. Factors like increasing purchasing power, new product launches, booming exports and easily available finances have resulted in increase in sale volumes in the sector. Recognizing the potential of Indian Automobile sector, leading global brands are entering Indian markets and Indian companies are going for acquisition of global automobile companies. Skilled people are shifting their bases from auto component industry to domestic and global OEMs. This seems to be result of unmatched compensation packages between domestic and global players.

Attrition in Private Sector Banks

Private Sector Banks in India are likely to witness up to 50 per cent increase in attrition this year compared to last year as new players entering the sector would prefer seasoned industry professionals to grow their operations, say experts. Though all the existing players will try to retain talent by giving large portfolio and decent compensation, but boom in the industry will bring the attrition higher than ongoing rate.

Attrition Rate in Consumer Business

Attrition rate in this industry is 12.5%. Attrition rate of junior employee is 16.3%. Organizations attribute Better Career Prospects, Personal Reasons, and Better Pay Opportunities as the main reasons for attrition. Attrition Rate in chemical, Energy and Natural resources: Attrition rate in these sectors is 12.2 and 11.5 % respectively. At junior level employee attrition rate is 14.6 and 13.9 % respectively. Organizations attribute Better Career Prospects, Personal Reasons, and Better Pay Opportunities as the main reasons for attrition.

Causes of Employee Attrition

Increasing turnover rates in organizations is not advisable. So, for reducing these rates, organizations should try to observe why the employees are leaving for other positions. Sincere employees would never leave the good organizations. But the same employees may quit from the organizations because of the following reasons.



- **Insolent Behavior of the Top Officials:** It has been observed from many studies that everyday indignities have an adverse effect on productivity and result in good employees quitting. Insolence, assigning blame, back-biting, playing favorites and revenges are among reasons that worsen employee turnover. Feeling indignant and mistreated are not good for a healthy environment.
- **Disparity in Work Allotment:** Increasing with economic pressures, some organizations force that one person do the work of two or more people. This is especially true when an organization economizes or reorganizes, resulting in longer hours and weekend work. Employees are ordered to choose between a personal life and a work life. This is not relevant with the present younger g and this is compounded when both spouses or significant others work.
- **Not Placed in Expected Jobs:** In some organizations employees are nor placed in the expected jobs It has become all too common for a job to significantly vary from the initial description and what was promised during the interviewing stage. When this happens it can lead to mistrust. The employee starts to think what else they are not being truthful about. When belief is lost, no real relationship will exist between employees and organizations.
- **Employee Misalignment:** Organizations have to select the qualified persons for the right jobs, before placement they should be given knowledge about the culture and goals of the organization. Managers should not try to force a fit when there is none. This is like trying to force an unmatched foot into a shoe with an unsuitable size. Neither management nor employee will be happy and it usually ends badly.
- **Sensation Underrated:** Recognition of an employee is considered as an important factor for retention and the employee has to be rewarded for a job well done.. Recognition should not be in terms monetary alone. Showing sincere gratitude to the employees is the most effective recognition in an organization. Recognizing employees is not simply a nice thing to do but an effective way to communicate appreciation for positive effort, while also strengthening those actions and performances.
- **Instability of Organization:** Restructuring organization by the Management, changing direction and shuffling people leads the employees confused. Employees are not aware what's going on, what the priorities are or what they should be doing. This causes hindrance leading to confusion and inefficiencies among the employees.
- **Freezing Promotions:** Most of the previous studies have revealed that money by increment and incentives is not a primary factor for employees leaving an organization.

Nevertheless promotions are proved to be considered as an important for the employees working in the organization. But these promotions are often frozen for economic reasons but are slow to be resumed after the crisis has passed. It creates stress among the employees leading to resign their posts.

- **Distrust among the Employees:** In many organizations, employees are asked to work more and more. But they will ultimately share nothing in the fruits of their labor. Though the revenues and profits increase along with workload, organizations never take another look at their overall compensation packages. Employees know how the company is doing well; nevertheless they are expected to be considered as critical enablers of that success. But in practical, many organizations do not bother about the welfare of the employees, it results, many of the employees have been wearing away from their jobs.
- **Growth Opportunities not Available:** The talents and intelligences of the employees are lost if they feel trapped in dead-end positions. Often talented individuals are forced to job-hop from one company to another in order to grow in status and compensation. The most successful organizations find ways to help employees develop new skills and responsibilities in their current positions and position them for future advancement within the enterprise. Employees who can see a potential for growth and comparable compensation are more inclined to stay with an organization

Employees Retention Strategies

Retention strategies are nothing but policies and plans. Every organization has to follow to reduce employee turnover and attrition. Retention ensures that employees are betrothed and are productive for long-term. To ensure maximum return on investment, for business has to confirm retention strategy along with business goals. Corporate social responsibility is a key growth area of retention strategies – employees may be more likely to remain with an employer that shows a commitment to the local community or the environment. At the same time, corporate social responsibility is increasingly aligning with the



bottom line as consumers increasingly do business with companies that display strong social responsibility policies. The following are the strategies to be followed by the organizations to avoid attrition.

- **Select the Right Personnel for the Right Jobs:** Right people have to be selected and they are inherently motivated and interested in developing their skills and careers. Also, the managers have to clearly establish expectations, so that disappointments on both sides can be avoided. It's also important to evaluate candidates for a cultural fit so that potential hires assimilate well into your company culture and more seamlessly blend in with your current teams.
- **Coaching and Feedback:** The managers should help employees to improve their performance and consistently give coaching and feedback to all employees. The managers should not put off giving feedback to employees. They have to instinctively know that giving and getting honest feedback is essential for growth and building successful teams and organizations.
- **Positive Feedback towards the Work of the Employees:** Employees are expecting both and constructive feedback to improve and to do their best work. Positive feedback should be given frequently to motivate employees and to give them the determination they need to do their best work. But constructive and corrective feedback is also important, particularly when there's an urgent issue that needs to be nipped in the bud.
- **Employees to be given Opportunity to Grow:** Many companies do not offer ongoing training and education for their workers. Instead, they promote people from outside the organization. It results the employees become disappointed in their roles and are less likely to stay. By promoting from within and implementing a training program, or by leveraging outside resources and tools (such as workshops, books, online courses, etc.), one can create a powerful incentive for his team members to stay over the long haul. Employees see these initiatives as an investment in their future.
- **Prioritize Employee Happiness:** Happiness may be comprehensive a bit soft but the numbers behind it are anything. Employee happiness is a key indicator of job satisfaction, absenteeism and alignment with values—just for starters. Investing in the happiness of our employees will pay dividends in engagement, productivity and retention.
- **Offering Kindness and Gratitude:** Organization has to offer pro-social behavior in their employees. Employees would be healthy and happy, if they are given the opportunity to connect with one another through acts of generosity and the expression of gratitude. By motivating them to be on the viewpoint for good behaviors to commend, people may be given a sense of ownership of the company.
- **Real-time Recognition:** Employees are expected to be valued and appreciated by offering them real-time recognition that rejoices their achievements and their efforts. Employers' consideration may be social and supported by perceptible reward, and if so they would also be rewarded—with their loyalty.
- **Gathering problems and Grievances:** The management of the organization should observe the problems and grievances of employees and to take necessary measures to solve the problems of the employees or otherwise retention is not possible. Employees are the backbone of the organization At any cost, dedicated employees should not be allowed to quit from the organization.
- **Effective Training to the Supervisors and Managers:** In general employees do not quit from the company pointlessly, but rather they quit because of their discourteous managers. Managers who communicate well, offer feedback and behave professionally are crucial parts of the best retention strategy. Additionally, encourage managers to conduct “stay interviews” with their employees to support open and honest communication.
- **Managers' Decision-Making Ability:** Micromanagers feel self-doubting regarding their employees' ability to perform their jobs without their direction. Organizations need employees to have ownership and be empowered. An organization gives employees freedom to do their jobs by placing trust in them. Employees, in turn have to accept their responsibility and embrace trust with enthusiasm and pride of ownership.
- **Flexibility in Work Arrangements:** Generally, an employee's desire will be a flexible life and work balance. That impacts retention directly. A study conducted by a Boston College Center for Work & Family revealed that maximum managers and employees needed flexible work arrangements and it had positive effects on retention. Many of the companies in US are aware of the results of the study. As a matter of fact, if employees are not offered



flexibility around work hours and locations, they will, of course, leave the organization and shelter where flexibility is available.

Conclusion

In today's competitive business environment, the impact of attrition on a business can be detrimental to both the bottom line and morale. Attrition can involve the loss of employees or the loss of customers. Both employee turnover and failure to retain customers over time can challenge managers. To decrease attrition, managers must understand the causes of customer and employee turnover, the costs associated with attrition, and finally, institute measures to reduce attrition rates. Causes of employee attrition can be as varied as human personalities, but some basic factors pervade most reasons for a resignation. While employees leave an employer for increased salary or career advancement, often the search for a new position is precipitated by dissatisfaction with an immediate manager. An employee's personality might not be a good fit for the job. New skills for an employee's current position could be needed. If the employee lacks the skill to do the job, the employee might resign.

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