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## A STUDY ON CHALLENGES FACED BY VARIOUS INDIA ORGANIZATIONS IN ARRESTING EMPLOYEE ATTRITION

**Dr. Raghunathan**

*Prof & HOD, Dept. of Business Administration Government Arts College (Autonomous), Coimbatore - 641 018, Tamil Nadu, India*

**N. Subbu Krishna Sastry**

*Research Scholar Bharathiar University Coimbatore, Tamil Nadu, India*

### ABSTRACT

*As Several studies which have been undertaken in the academic concerning to industry as well as in its circles to identify the factors responsible for high attrition in the working Industry. Human Resource Practices plays major role in its challenges & performance management. 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. The Companies also play a vital role in curbing the attrition and retaining the talented pool. Increasing attrition is a serious concern for every company today and they are fighting with this problem by redefining their HR policies and practices. At a certain point we cannot stop attrition, but we can definitely reduce the rates by devising suitable retention strategies. Increasing attrition is a serious concern for every company today and they are fighting with this problem by redefining their HR policies and practices. At a certain point we cannot stop attrition, but we can definitely reduce the rates by devising suitable retention strategies. In addition, the study sought to describe the importance of retaining critical employees and developing strategies to enhance employee retention practices. The study sought to describe the importance of retaining critical employees and developing strategies to enhance employee retention practices.*

*The researcher purpose of this study was to determine the factors that most significantly influence employees' decisions to remain employed at a particular organization and possible reasons for choosing to leave.*

**KEYWORDS:** *retention strategies, attrition, HR policies.*

### INTRODUCTION

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents. From an business organisation 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 re-source 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. In short, these days' arresting employee attrition is one of the critical problems faced

by HR (Human Resource) departments in many organisations. There are various reasons that may influence the employees to leave an organisation. A good pay or salary is no more considered as an important motivator. The employee expect an ideal situation to be available in a work environment with multiple level of comfort like: employer's goodwill in the market, various sources of remuneration, future growth, working condition, relationship with the co-workers, current role's scope in the market and most important future stability of the organisation.

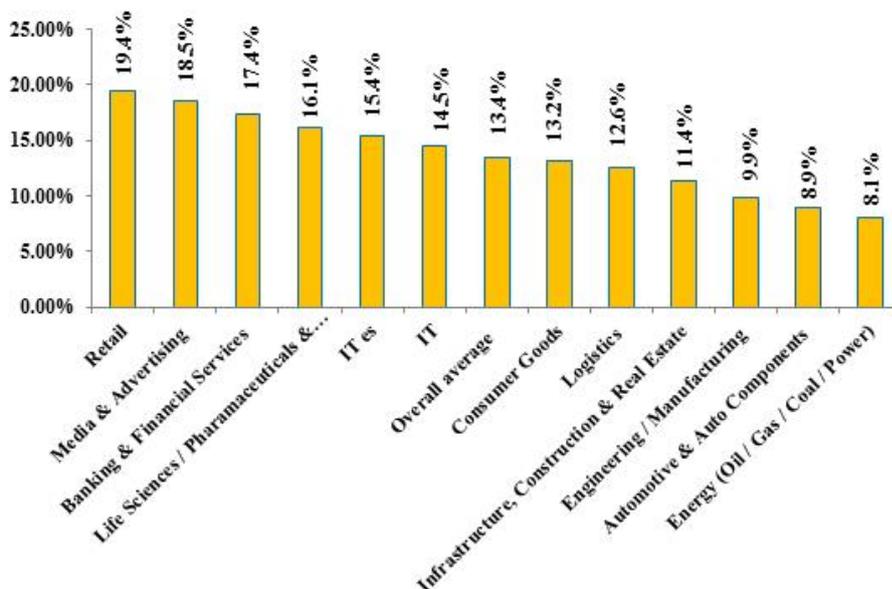
### EMPLOYEE ATTRITION RATE IN INDIA

Among the attrition rates in various employment segments, it has been observed that the corporate employees' attrition rate in India stood at 16.30 per cent in 2016. The key talent attrition increased from 5.9 per cent in 2014 to 7.3 per

cent in 2015. The higher attrition is linked to higher economic activity. The service sector experienced 19.30 per cent of attrition, of this 5.4 per cent was attributed by involuntary attrition. In manufacturing, 12.2 per cent was the overall

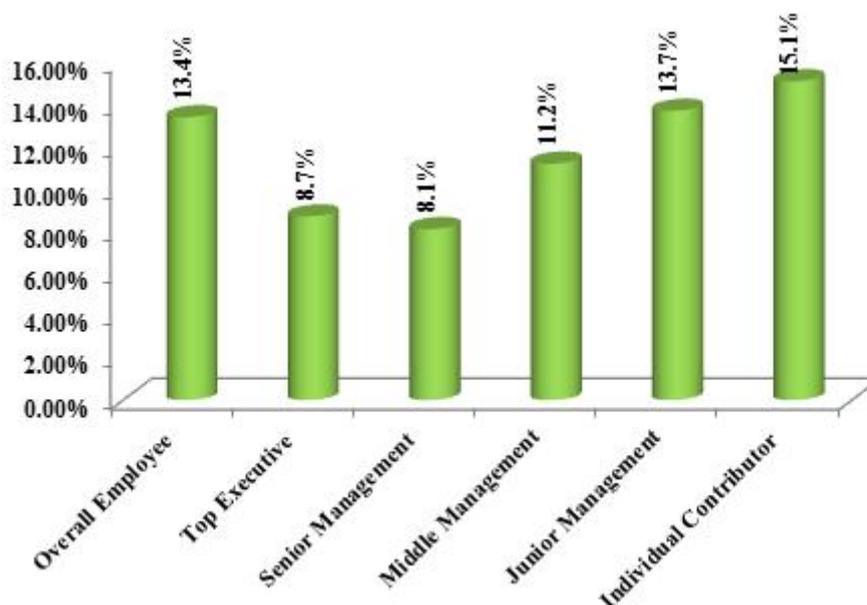
attrition, of which 3.4 per cent attributed by involuntary attrition. The employee attrition rate as per the KPMG in India's Annual Compensation Trends survey is presented in the following Exhibit1.

**Exhibit:1**  
**Overview Average Voluntary Attrition (2016-17)**



Source: KPMG in India's Annual Compensation Trends Survey- March 2017-18, People and ChangeManagement Consulting

**Exhibit:2**  
**Average Annual Voluntary Attrition by Levels**



Source: KPMG in India's Annual Compensation Trends Survey- March 2017-18, People and ChangeManagement Consulting

It was observed that juniors and independent workers i.e., individual employee's attrition rate is higher at 15.1 and 13.7, which is higher than the national average of 13.40 per cent. Generally, the top level executives does not tends to level their job in comparison to the junior staff, better job opportunities, salary and personal reasons like: marriage, health, children, relocation etc.

**Primary Reason for Employees Attrition**

Indian Corporates and MNCs in Indian market have shown tremendous growths in last previous years, ample of job opportunities are available now so the employees quit the job easily. The employee turnover depends upon the market conditions. If the supply is more than the demand and effective workforce is available at reasonable costs then high quality services can be attained even if the turnover rate is

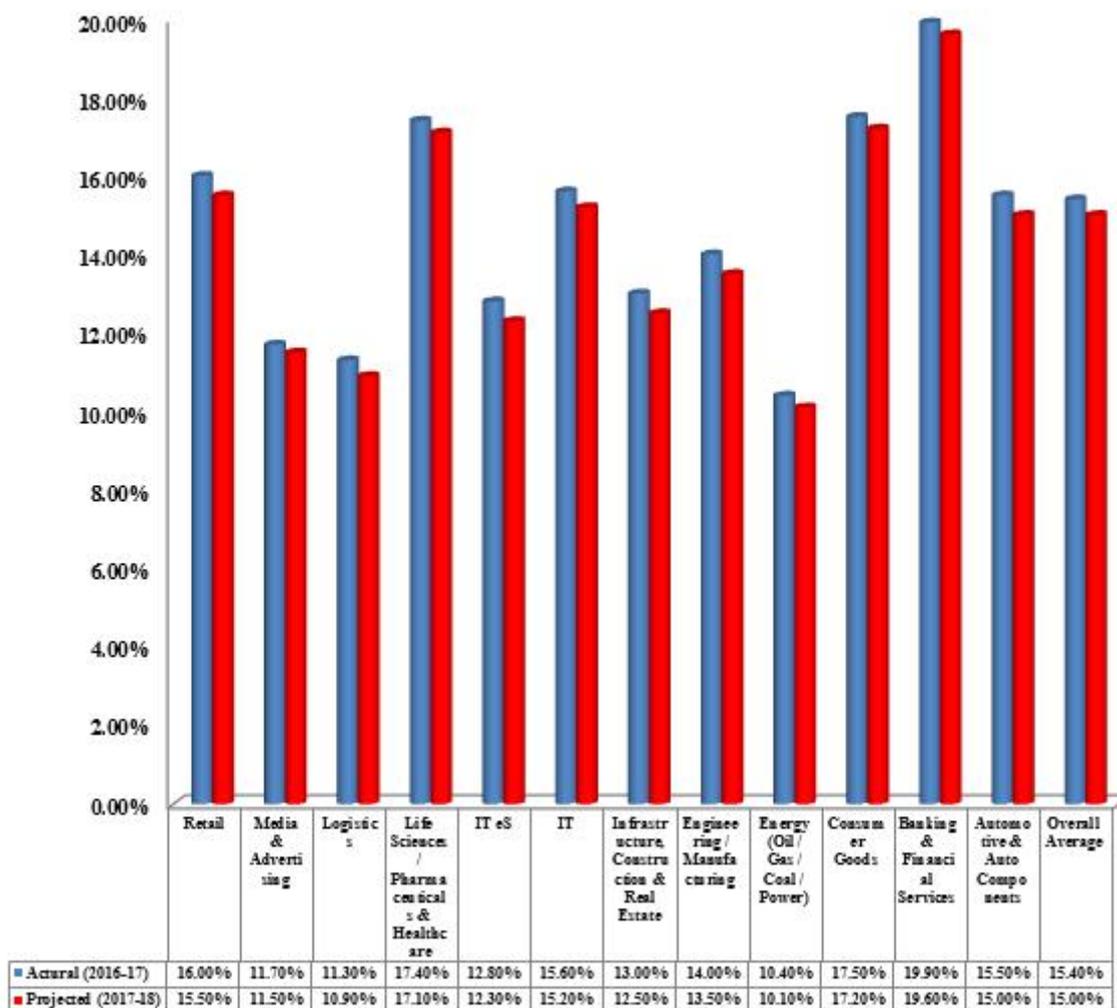
high. But, if the requirement is costly and the demand is more than the supply of workers then it can become problematic for the organization as a risk of losing the employees to competitor increases especially when these employees have good relations with customers. There are several reasons that can contribute to attrition in the companies. Sometimes, individuals leave their companies because their skills are in demand, and therefore they are lured away by other companies for higher pay and better benefits. Unfortunately, there are not much that companies can do to keep their employees from leaving for higher pay and better benefits. However, if

unhappiness is the primary reason why employees leave, there is a lot that companies can do to prevent the turnover.

### Changes in Wage Scale by Companies

In order to arrest the rising attrition rates the organisations are developing separate retention strategies and policies. It is expected that on 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 organisation as well in the services space.

**Exhibit 3**  
**Average Variable Pay (As a Percentage of CTC)**



Source: KPMG in India's Annual Compensation Trends Survey- March 2017-18, People and Change Management Consulting

Many Indian corporate's average salary scales have already modified in order to attract more employees. According to the KPMG survey (2017-18), **the average projected salary increment in India** is determined to be 9.7per cent, **the average variable pay in India** is determined to be 15.4per cent and **the average annual attrition rate in India** is projected to be 13.4per cent for the year 2017-18. Among the sectors, the **e-Commerce industry** is expected to offer the highest increment of 12.5per cent.

The logistics sector, however, is expected to have the lowest increment of 8.1per cent. Overall, the banking and financial services sector is predicted to have the lowest growth in terms of increments, from 9.6per cent in 2016-17 to 8.6per cent in 2017-18. According to the survey, 89.9per cent of companies use organisation performance as a key for determining increments.

## Positive and Negative Impact of Attrition

Attrition is always in not considered as bad for an organisation, when unhealthy i.e., unfriendly, non-productive employees level the organisation. It actually supports the organisation in attracting new productive talents. Moreover, if all employees stay in the same organisation for a very long time, there is always chances for most of them to be promoted to the top level executives, whose pay scale which will result in excessive burden to the organisation. New employees bring new ideas, approaches, abilities and attitudes which can keep the organisation progressive in future too.

Among the discussion it is undeniable fact that almost all the sectors in India are facing attrition, but the reasons and effects are unique to each sector. One of the negative impacts of a high attrition generally indicates the failure on the company's ability to set effective HR priorities. Clients and business get affected and the company's internal strengths and weaknesses get highlighted. Typically, high attrition also leads to a chronic or systemic cycle-attrition brings decreased productivity, people leave causing others to work harder and this contributes to more attrition. All this has a significant impact on the company's strength in managing their business in a competitive environment.

## STATEMENT OF PROBLEM

Organisations are struggling to arrest the ever increasing Employee Voluntary turnover rate, it has proven to be one of the most complex and costly human resource challenge confronted by several organisations. The Retention of Human resource means creating a big picture of organisation as 'Great place to work' and facilitating opportunities for total learning, growth and wholesome development of people in the organisation, in its strive towards excellence and value creation through human capital. This is accomplished by ensuring appropriate policies, tools, and techniques for maximum utilization and retention of competent Employees.

## LITERATURE REVIEW

Employee turnover, as defined by Hom and Griffeth (1994), is 'voluntary terminations of members from organizations'. Loquercio et al. (2006) observed that staff turnover is the proportion of staff leaving in a given time period but prior to the anticipated end of their contract. According to Singh et al. (1994), staff turnover is the rate of change in the working staffs of a concern during a defined period. Ivancevich and Glueck (1989) opine that staff turnover is the net result of the exit of some employees and entrance of others to the organization. Kossen (1991) defined turnover as the amount of movement in and out (of employees) in an organization. Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi & Hollman, 2000). Staff turnover that can occur in any organization might be either voluntary or involuntary. Voluntary turnover refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination. (Heneman, 1998). Turnover is referred as an individual's estimated probability that they will stay or not stay in an employing organization (Cotton & Tuttle, 1986). A number of terms have been used for employee turnover, such as quits, attrition, exits, mobility, migration or succession (Morrell et al., 2004).

Though there are many causes for staff turnover in an organization, all of those do not have negative impact on well being of an organization. Organizations should differentiate between voluntary and involuntary turnover and take actions on the one under their control. Voluntary turnovers are those caused by the employee out of his/ her own choice (e.g. to take job in other organization for better salary) while involuntary turnovers are because of the decision of management (e.g. dismissal for gross misconduct). In general, all resignations not formally initiated by employers are voluntary resignations (Loquercio et al., 2006).

Voluntary turnovers are further distinguished into functional and dysfunctional turnovers. Functional turnovers are the resignation of substandard performers and dysfunctional turnovers refer to the exit of effective performers. Dysfunctional turnover is of greatest concern to the management due to its negative impact on the organization's general performance. Dysfunctional turnover could be further classified into avoidable turnover (caused by lower compensation, poor working condition, etc.) and unavoidable turnovers (like family moves, serious illness, death, etc.) over which the organization has little or no influence (Taylor, 1998). A low level of employee turnover is acceptable in any occupation, in that it offsets potential stagnancy, eliminates low performers, and encourages innovation with the entry of new blood. However, high levels of employee turnover lead to low performance and ineffectiveness in organizations, and result in a huge number of costs and negative outcomes (Ingersoll & Smith, 2003). Several researchers have found that high turnover rates might have negative effects on the profitability of organizations (Aksu, 2004; Hinkin & Tracey, 2000 among others). Johnson (1981) viewed turnover as a serious problem having a strong bearing on the quality of products and services and incurring considerable replacement and recruitment costs. Curtis and Wright (2001) opined that high turnover can damage quality and customer service which provide the basis for competitive advantage, thereby inhibiting business growth. Also, it has been observed that people who leave are those who are most talented as they are the ones likely to get an opportunity elsewhere (Hinkin & Tracey, 2000). Turnover often ends up in valuable talent moving to competing entities (Stovel & Bontis, 2002). Therefore, it is only desirable that management should accord special attention to prevent turnover and puts in place a sound strategy for improving staff retention. For most part, voluntary turnover is treated as a managerial problem that requires attention, thus its theory has the premise that people leave if they are unhappy with their jobs and job alternatives are available (Hom & Kinicki, 2001). Therefore, most studies have focused on voluntary rather than involuntary turnover (Wright, 1993). In this study too, only voluntary form of turnover has been considered and discussed. Griffith et al. (2000) conducted a review research on employee turnover and described the most-cited variables that affect turnover. The model developed by them incorporates the factors that explain the turnover process.

## SCOPE OF RESEARCH STUDY

HR Department of the company to look at factors beyond immediate pay and find out the motivational factors giving job satisfaction to the employees. The companies have to try to create a congenial work environment and offer a promising scope for career growth for the promising performers. The HR Department should be made the part of

the corporate strategy making team and a comprehensive HR Policy should be framed by experts, if necessary taking the advice of an outside consultant. Organizations should set a standard while deciding employee compensation levels and improve the reward structure year after year. Involvement of employees in the decision-making process is the path to the feeling of emotionally engaged outcomes such as a feeling of being an important and integral part of the company. Psychometric tests should be included in the interview process to assess the behavior of the candidates.

### OBJECTIVES

The study covers the following objectives:

1. To identify the factors of attrition in the organizations.
2. To study the importance of Retention in the organizations.
3. To suggest innovative measures for how to reduce the employee attrition and increase employee retention in the organizations.

### RESEARCH METHODOLOGY

The research project is descriptive and analytical in nature. The research paper is mainly based on secondary sources which include books and web pages.

### HYPOTHESIS

The following hypotheses have formulated for the present study:

1. Employee attrition increases costs of recruitment, hiring and training replacement in the industries.
2. Employee attrition reduces production, and profit in the industries.
3. Working atmosphere is positively correlated to Employee's Retention.

### REMARKS & RECOMMENDATION

As the growth that this industry is witnessing, there are certain areas that require greater attention going forward from service providers to ensure that the industry remains firmly on the growth path. This survey was conducted with the objective of analyzing some of the key trends that will drive the future direction of the industry. We have endeavored to highlight some of the key risks that the industry faces and will face as the industry evolves. We have also discussed the corresponding risk-mitigants that service providers and companies are focusing on, to manage the risks.

Based on the study it has been seen that dimensions of satisfaction and motivate are significantly different for employees on the basis of age, gender, marital status and education. Then, the regression model revealed that intrinsic motivation and involvement factors, as well as age and education level contribute to the sustenance of employees in the organization. Thus based on the findings, it can be said if the employees are motivated and involved in the work they can be retained.

### RESULTS & DISCUSSIONS

Results obtained from these exit interviews help the HR managers to take initiatives in order to retain a loyal and motivated workforce. A working model can be drawn out of the current practices in acquisition and retention of doctors only by institutionalizing efforts across all levels and stakeholders. There exists a synergy between efforts in acquisition and retention at the workplace level, the state level and the bi or multi-lateral level.

### CONCLUSION

Attrition is highest in Indian industries; it is generally observed that employees in one out of four Indian industries search for the new job. Employees need to be retained because good, faithful, trained and hard-working employees are required to run business. 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. Giving a hefty pay need not satisfy an employee totally. It is the responsibility of the HR Department of the company to look at factors beyond immediate pay and find out the motivational factors giving job satisfaction to the employees. The companies have to try to create a congenial work environment and offer a promising scope for career growth for the promising performers. The HR Department should be made the part of the corporate strategy making team and a comprehensive HR Policy should be framed by experts, if necessary taking the advice of an outside consultant. Organizations should set a standard while deciding employee compensation levels and improve the reward structure year after year. Involvement of employees in the decision-making process is the path to the feeling of emotionally engaged outcomes such as a feeling of being an important and integral part of the company.

### Limitations

1. The scope of the study is limited to understanding the possibility of establishing policies and incentives in India to facilitate circular migration to and from European countries as mentioned in the Terms of Reference (TOR) and excludes any other interventions to counter brain drain.

2. This study does not cover personal level incentives to augment circular migration. 3. The schemes and solutions proposed in the study are based on primary and secondary research and validation discussions alone, and have not been previously tested. The study excludes the practical applicability of the same in a health-care setting/organization context. 4. The study focuses on documentation and analysis of incentives, policies and programmes for doctors across all demographics. The study is limited by the fact that there is no single source responsible for collating various health-care and/or migration trends in India and hence the secondary research presented is conjoined from multiple studies by different public and private bodies.

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