

Attrition in India – Causes & Remedies

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Abstract—

Employee Turnover or attrition is the reduction in the number of employees which can be because of retirement, resignation or death of the employee. Rate of turnover varies from industry to industry. There can be many reasons for an employees to leave an organisation like he may be getting higher job position in some other company or he may want to change his profession or he may leave an organisation for higher studies, etc. India is one of the top scorers facing high attrition rate followed by China and Mexico. India's IT sector is worst hit with attrition followed by the BPO sector. Young talent doesn't stick to one organisation for more than one year and sometimes only three months. Companies should have to be more careful while hiring the staff. The job opportunities in Indian IT sector are more than the available employees i.e. demand is more than the supply. This paper aims to explain why companies in India are facing highest attrition rate and some of the remedial steps to avoid or reduce the turnover rate. Available content from the internet has been studied along with various newspaper articles on the topic to compile this paper. This paper contains reasons of turnover in various companies and then some remedial steps are given to keep the attrition in control.

Keywords— Employee turnover, attrition in India, Indian job market, employee retention, attrition rate.

I. INTRODUCTION

Employee turnover is the process of replacing one worker with another for any reason [2]. Every company calculates its turnover rate per year i.e. percentage of employees that a company replaces every year. The turnover comes with few costs to the company as the company has to pay some severance pay to the leaving employee and some administrative formalities also have to be completed which will consume time, effort and cost. The companies then have to look out for the replacement and it will have to incur cost for requirement of new employee like cost on advertising for the job, cost of conducting interviews and finally cost of training the new employee. It is also very tough to find a suitable employee time and again. Attrition rate is high in the private sector as compared to the public sector as people in public sector feel more secured in their jobs. Private sector employees shift their jobs on getting a better option in some other company. Turnover rate varies from industry to industry and also from region to region [3]. It is also high when unemployment is less and people can easily find suitable jobs i.e. when demand is more than the supply of potential employees. Attrition rate is directly proportionate to job satisfaction and organisational commitment. If an employee is satisfied with his current job and is willing to work towards achieving the organisational objective then he's less likely to leave his job. Employee turnover can be of different types such as voluntary turnover, involuntary turnover, functional turnover, and dysfunctional turnover, controllable and uncontrollable turnover [4]. Employee turnover leads to dual loss to the company in terms of expenses concerned. This dual loss is in the form of [12]:-

- Costs incurred on the employees who have left the organisation.
- Cost to be incurred on the new employees which will be kept as replacement of those who have left.

Costs related to attrition

According to studies conducted by Hay Group [11], the cost of attrition of an employee can be higher than apparent. Cost for a manager is about 18 months of his salary and for hourly workers; it is about half year's salary. These costs include only direct replacement costs and not the indirect ones. The costs incurred on employee turnover are direct costs mentioned above in the paragraph and indirect costs such as morale, pressure on remaining employees, cost of learning, product or service quality, etc. These costs can also be classified as hard costs or soft costs. Some of the hard costs are [1]:

- Wages of employee that is leaving
- Cost of advertising
- Cost of benefits of departing employee
- Employee's supervisor/manager pay rate
- Administrative staff pays for setting up communication system, adding new employees to HR system, making ID cards.
- Co-worker's pay rate

- Reference checking
- Orientation and on the job training cost such as cost of training material, technological cost and value of trainer's time.
- Recruitment costs such as time spent on sourcing, recruitment, selection, travel expenses, etc.

There are also soft costs, which may be more difficult to quantify but need to be addressed, including:

- Loss productivity of employee
- Time spent gossiping or taking on additional work load which may upset them
- Having to spend time dealing with employees and answering questions
- Productivity lost if position remains vacant
- Lost productivity during training

Calculating Turnover Rates

Turnover rates can be calculated for any time of the year. Companies may calculate monthly turnover rate or annual rate of turnover. If a company has 150 employees and must replace an average of 15 of them per year, its annual turnover rate is 10 percent [2]. These rates also can be calculated separately for all the departments within the company, or for specific types of jobs in the company. They also can be calculated for the entire industries. No standard formula could be found to calculate the attrition rate of the companies. This is because [12]:-

- The employee base changes every month so no particular figure can be taken as a base to calculate the turnover rate.
- Many companies don't consider the attrition of the freshers who have left the firm within three months of joining.
- Many companies terminate some non performing employees and they don't add these poor performers in the calculation of employee turnover rate.

Thus, we can calculate attrition rate with simple percentage method, which is:-

$$\text{Turnover rate} = \frac{\text{number of employees who left in the year}}{\text{average employees in the year}} \times 100$$

Putting in data of the above example,
 $15/150 * 100 = 10\%$

Attrition in India

India lists on the top when it comes to employee turnover. Attrition rate in Indian labor market is as high as 20% in most of the industries and this rate is 50% in IT industries [6]. Mercer's survey stated that almost 54% of Indian workers seriously consider leaving their job every year and this rate is 66% in the age bracket of 16-24 and this is not because they are unhappy because the same survey stated that 76% of Indians are satisfied with their jobs and 75% are happy with their organizations. As per a survey conducted by global human resource and management consultancy major Hay Group, One in four employees in the organised sector in India is set to switch jobs [9]. This will be the highest attrition rate globally. With the coming of more MNC's, Indian Job market will be flooded with series of fresh investment which will increase the demand of efficient employees.

In 2013, the Asia-Pacific will experience highest employee turnover worldwide [10]. India will be on top with 26.9% turnover rate in 2013 and this figure is expected to rise to 27.5 % in 2014 in organised sector. "Indian economic growth is set to pick up, and this will be warmly welcomed by businesses. But the upturn will come with a risk — driven by an ambitious middle class — and employers at India Inc are likely to face a talent exodus in the coming year," said Mohini Sinha Hay Group India Leadership and Talent practice leader. The numbers of workers hopping in 2014 globally will reach 161.7 million which means an increase of 12.9% as compared to 2012.

Many MNC's which are operating in India are struggling to find and keep the right talent for the jobs [7]. High attrition rate in India causes unforeseen expenses and these companies have to face a lot of challenges to set up and run their business in India. This sometimes even crushes the Indian business venture of these MNC's. Statistics show that as many as 70 percent of South Korean companies working in India fail.

A brief history of MNC's & attrition in India

If we look at the employee-employer relationship, the change occurred in about a decade or two ago [11]. Before this period, the employees use to consider their employment as a lifelong contract and the employers use to take the employees loyalty and sacrifice for granted. This all changed with coming of globalization in India during early 1990's, the liberal economic reforms lured lot of investments and the country became the world outsourcing center, but cost cutting also came with it. India was seen as a booming market with one of the best performing economies in the world, a nation on the move. In 2005, India had more than 40 percent share in global offshore outsourcing market for software

and back-office services, with US revenues of \$17.2 billion. By the end of 2008, as many as 2,279 MNCs in both manufacturing and service-sector industries set up more than 3,300 offices in India [7].

But because of internal policies of the companies like large layoffs, cost cutting and other measures, the very way of working changed in India. One may be doing a good job but he can face the axe anytime. Jobs are not secure anymore as they were before the coming of this era. Companies were paying attention to revenue generation and very little attention to employee development. The responsibility of self development was put on to the employees. Thus, organizations were competing with each other but employees became uncompetitive. This led to unsatisfied employees and thus job hopping stepped in. And career advancement became the main factor behind an employee shifting to another company. This becomes more evident from the Hey Group survey data given in below [10]:-

- 55% of Indian employees are concerned about the fair compensation.
- 48% are of the view that their benefits should meet their needs.
- One in every three employees i.e. 37% lacks confidence in being able to achieve his career objectives in his current organization
- 39% are worried about the learning and development opportunities.
- 36% are concerned about getting supervisory coaching for their development.

In spite of the entire global financial crisis, India has not only managed to stay afloat but it's also concentrating on the process of development. The organizations are obsessed with employee engagement as it will make the employees more productive and motivate them to perform better. This development will lead to employee satisfaction which can be seen as the major reason of attrition but there is more attrition than can be seen.

II. CAUSES OF ATTRITION

With the coming of private sector and MNC's in Indian market, employees tend to shift jobs quite often. But there's no set level of turnover that determines at what point turnover starts to have a negative impact on an employing organisation's performance [3]. It actually depends on the market conditions. If the supply is more than the demand and effective workforce is available at a reasonable cost then high quality service can be attained even if the turnover rate is high. But, if recruitment is costly and the demand is more than the supply of workers then it can become problematic for the organisation as risk of losing the employees to competitors increases especially when these employees have good relations with the customers. Following are some reasons that I could chalk out from the available resources [3][6][7][11]:-

A. Dissatisfaction from current employer:-

The first and foremost reason for leaving a present job for any employees is his dissatisfaction from his current job. There can be many reasons of this dissatisfaction like:-

- Working conditions may not be as expected by the employee.
- The organisation is not providing the growth opportunities as expected by the employee.
- No proper training has been provided to him as required by his job.
- He is not getting fair remuneration he deserves as per his experience and educational qualification. He may feel that he's not getting fair share for his contribution to the organisation.
- He may be finding it difficult to adjust to the office atmosphere and the working environment.
- He has got transferred to an undesirable location.

B. Poor employment & selection decisions :-

Sometimes, an employee leaves the organisation after a few months of joining the organisation or sometimes he may be dismissed within few months of his joining. This can be due poor employment or selection decision made either by the employee or the employer. There can be poor induction program or the employee doesn't suit the job. Under this condition also the reasons can be both demand and supply. If supply is less, then the firms may fill in their vacancies with the available candidates which may not be suitable for the jobs they are hired for. If the demand is less, then even highly qualified candidate will apply for the jobs which don't suit their qualification and these situations may create conflicts later on resulting in attrition.

C. To attain quick growth

Indian markets are flooded with opportunities. Companies are hunting for people with relevant qualification, experience and zeal. Even employees are also looking to grow at a much faster pace. Since, by sticking to one organisation one may get promotions after a set interval but by getting a raise in one organisation, one can always get a higher position and remuneration at another company after a few months which may not be possible if he sticks to one organisation. "A 2012 survey by Catalyst shows that 78% young Indians aspire to senior executive and/or CEO roles, and they're very impatient about getting there [6]."

D. Lack of educated talent

Though India has a huge population of 1.2 billion and it also has a vast number of educational institutions; but still it lacks quality education as compared to international standards. India needs an estimated 2,735 additional managers each

year, and only 1,740 are in the pipeline. So, the companies are fighting for their share of good managers and those who provide with best job package in terms of remuneration, grade, work atmosphere, etc. gets to eat the cherry from the cake.

E. Poor employee-employer relationships

When you are working in an organisation you need to maintain cordial relations with the people you are working with. And this is where people fail. A survey of Indian organisation attributes 48% of turnover to poor relationships between employees and their supervisors. Around 53% employees in India are not satisfied with their immediate manager. Completion and jealousy steps in when one out of two people who are working in the same department and at same level gets a promotion and the other does not. Secondly of the boss favours work of one person over the other then also it may lead to disappointment. This may lead to job dissatisfaction and one may resign from his job.

F. Poor management by MNC's

A number of research projects which were conducted in the last five years show that one of the most common issues leading to failure or unexpected expenses is the fact that almost every foreign company fails to retain qualified personnel in India. Statistics are impressive. The IT sector alone is facing attrition rate between 20-30 percent and that of a business process outsourcing (BPO) is 30-35 percent. Poor management of employees by the MNC top executives is to be blamed for this as they are still not able to understand the psyche of the Indian population leading to dissatisfaction among Indian employees. The managers are also not competent enough to keep the employees occupied with work.

G. Cost of attrition are higher than low cost benefits in India:

The cost of attrition in India has become higher than the low cost benefit which lured the foreign players into Indian markets. The companies are spending high on providing specialised training to provide the employees with the necessary skills but the employees leave the organisations on getting a better opportunity. Sometimes people do not stay long enough to be taught or to learn the job. This can have a disastrous impact on a company's success.

H. Monotonous work task

Every human being wants a change. This is the basic nature of a human being that they get bored very easily. The managers in India are not able to provide variety to the work of the employees. They are expected to do the same kind of work every day without any change and recreation so they easily get put off with their work and they tend to look out for a change.

I. Personal development

Sometimes the employee starts to feel that he's wasting his talent in his current organisation. He feels that he's not getting the right opportunity for the growth of his career and for his personal development. Thus, he would start exploring other available options in the market.

J. Conflict between work strategy and goals

Sometimes the employees may feel that the work strategies the companies are using are not in line with the objectives the company aims to achieve. The employee may be unhappy with the way the performance graph of the company is shaping up, thus he may decide to leave.

K. Family problems

India is a country where relationships are given a lot of importance. There can be many family related problems or issues which may force a person to leave his current job. Following are the family related issues which may force an employee to leave his organisation:-

- A person may leave his job if he gets transferred to a far off location and he's not in a position to either take his family along with him or leave them behind.
- A woman employee may leave her job after birth of her baby if she doesn't have anybody at home to care of the child.
- Sometimes, people may want to relocate to a bigger city for higher education of their children.

L. Economic conditions

During the times of recession, the companies may face major financial crises and may go in for cost cutting and layoffs. So, many employees may have to lose their jobs. Since the companies themselves struggle to keep its place and position in the market, it has to ask many employees to leave the organisation.

M. Wrong perception by MNC's

Companies also face attrition because they fail to understand the correct reason behind the attrition. They think that a company in India can be run just (or almost) like a company in its home country. Its home-country's HR policies can appear to be less effective in India than in any other region of the world.

N. Lack of motivation

If the employees are not motivated then they fail to perform to the expected level. As, we have studied in Abraham Maslow's need hierarchy theory of motivation that workers need to be motivated to work and achieve their target. Human needs can be classified into various categories and when one need is satisfied then he'll not feel motivated to perform his work unless he's motivated to satisfy his next need. Workers in India don't find their work motivating and challenging enough so they keep on shifting jobs.

III. RETAINING THE EMPLOYEES

The organisations try hard to retain their employees and reduce their company's attrition rate so that their resources can be saved and used on other productive purposes. Most of the companies conduct exit interviews of the employees who

are leaving to know the reasons of leaving the job. These interviews are effective if they are conducted immediately after the employee leaves the organisation. Thus, enabling the organisations to plan accordingly and take preventive steps to reduce their turnover rate [3]. Most of the companies find that employee turnover is reduced when they address issues that affect the morale of employees [2]. This can be done by providing performance based incentives, paid holidays or sick days, etc. The company can give as much it can afford to in order to retain its employees.

Measuring employee retention

Company's suitability index shows the retention rate of its experienced employees. It can be used by the management to know its performance and success in retaining its prized employee. The usual calculation for the stability index is [3]:

$$\frac{\text{Number of leavers with more than one years service}}{\text{Total number of staff in post one year ago}} \times 100$$

Remedial measures to reduce employee turnover rate

There are two types of factors which should be studied by the organisations in order to control the attrition rate. They are controllable factors and uncontrollable factors of turnover [4]. Controllable factors can be controlled by the organisations like the incentives and benefits being offered and uncontrollable factors are the reasons like employee shifting to some other geographical location, leaving job for higher studies, etc. Employees these days want equal participation in the decision making processes of the companies. The companies should make retention strategies to control the attrition rate and while developing it, they should keep in mind the following [3]:-

- Why employees in hard to recruit groups are leaving.
- What employee turnover among these groups is costing the organisation

Following are the remedial steps an organisation can take for reducing the turnover rate [3][4][5][6][7][8]:-

A. Supervisors support

It is very important for a manager to provide his full support to his supervisors to perform his duties. If his acts are backed by his supervisor then he feels motivated and will like his work. If an employee is happy and satisfied with work then he's less likely to leave his organisation.

B. Job satisfaction & motivation

In the context of international business, it has become very important to being able to motivate your employees. According to the western perspective, the main factors to retain employees in order of importance are: salary and remuneration, providing recognition, benefits, and opportunities for individual growth. If he gets these, he will be loyal towards his organisation and will stick to it for a longer period of time.

C. Giving job description at the recruitment stage

If the employee is given the complete description about the kind of work he's expected to perform then there's no question of any kind of confusion later on. He can decide before joining whether the work is as per his capabilities and expertise or not. If the work is not that he's something familiar with then he himself will refuse to join the organisation.

D. Offer skill testing

Before employing an employee his skill testing should be done to see whether he will be able to perform the duties and tasks given to him. This will cut down on the new applicant recruitment costs. This can be done on existing employees also after they have been imparted with appropriate training.

E. Keeping competitors at bay

The organisations should try to keep their employee database, internal e-mail id, remuneration and incentive details, etc. confidential so that the competitors should not be able to contact or attract any efficient employee to their organisation. One should always be aware of these head hunters in the market.

F. Just and fair remuneration

The organisation should give fair remuneration to the employees. The remuneration should be in accordance with the prevailing market rate in the industry. If the employees are underpaid then they are likely to change their job. Even internal discrimination should be avoided. The firm should treat the employees equally. Those with equal efficiency should be treated at par and paid equally. There should be well defined incentive based compensation plan and on completing the assigned task employee should be rewarded so as to encourage them.

G. Recognition should be given to achievers

The company should give recognition to the goal achievers and they should be rewarded accordingly so that they feel motivated. Sometimes, employees work till hours to come in the eyes of their bosses and they pretend as if they are putting in a lot of effort but their performance graph may not be showing very rosy picture. Thus, such employees should be discouraged by not paying for the overtime rather they should be asked to work more efficiently in the working hours and work towards achieving the organisational goal. Many reports have proved that reward/recognition is important for employee motivation. It is not just the monetary rewards that the employees want but praises from the supervisor, even the team members can also make a difference..

H. Employees should have a say in the organisation

The employees should have a say in the decision making process of the organisation. Top management should include representatives of the employees in the decision making process of the firm. Thus, employees will feel that they are valued by the management and are treated fairly. The supervisor should discuss the career plans with the employees and provide them opportunity and challenging tasks which would lead to their goal fulfilment. They'll stick to such an organisation for a longer period and they'll put in more effort to impress the management with their work.

I. Regular training to upgrade the knowledge of employees

The companies should organise regular training programs to upgrade the knowledge of the employees. If a company wants to establish long term relationship with its employees it need to consider employee development important. This is more important for the IT sector where technical know-how has to be upgraded on regular basis. If the employees get to upgrade their knowledge on company's expenses then they'll have a sense of belongingness to the organisation and will prove their loyalty by sticking to the organisation.

J. Comfortable work environment

The employee should be provided with a comfortable work environment with sense of belongingness. There must not be too much emphasis on the rules and policies. Employees should have privacy in the organisation along with a sense of belongingness and the working environment should be friendly. The employees should not work under the fear that they'll be sacked if they'll fail to deliver results. Supervisors should ensure that the employees are comfortable in the organisation and there is no stressful situation among the employees or competition that is not healthy for the department and organization.

K. Clear attendance policy

There should be a clear attendance policy in the organisation. The employee should be clear about whom to inform and when to inform about being absent from the work. Unnecessary absence from the work should be discouraged. This can be done by linking attendance to promotion procedure i.e. attendance should be one of the requirement in appraisal process. But at the same time the attendance policy should not be very strict which can force employees to exit. The companies can introduce shifts swap i.e. employees post days they need off and their schedule, and other employee may volunteer to trade days off or shift start times, etc.

L. Flexible work policies

The organisation should not have rigid working policies. The management should be able to adapt to the changing business environment and changing employee needs. This way, the employees will also be happy with the organisation. The employees should also be given flexibility to perform their tasks. If an employee is not well and can't come to office but can do his work from home on his PC then he should be allowed to do so. Employees should be given some freedom in structuring their work in order to improve commitment and his intention to stay.

M. Employee engagement should be the top priority

As I have already discussed earlier in this paper that employees should always be engaged with one or the other task. As they say idle minds always create troubles so the minds of employees should always be occupied in such a way that they like their work. New innovative ideas should be invited from the employees to keep them involved in the business development. Team games should be introduced to keep them busy.

N. Create a sense of accountability

Employees should be held accountable for the task performed by them. If they are given responsibility of performing a task then they should be held accountable for the same. Thus they'll get more involved in the organisation's working.

O. Reward long term service

The employees who stick to the organisation for a longer time period should be rewarded with suitable prize like cash prizes, certificate of honour, paid holidays, etc. This recognition helps in motivating the employees and this in turn increases the sense of commitment.

P. Hire effective leader

An effective leader solves half of the problems related to attrition. Indian employees want managers and leaders they respect and can learn from, who will support and guide them. Managers should be motivated to become real leaders.

Q. Span of workload

The employee should be given only that much amount of work to do that he can handle. Employees often leave companies because they feel overworked. So, they shouldn't be over burdened with work.

R. Hold exit interviews & regular review sessions

The management should hold exit interview of the leaving employee so that reasons for leaving can be known and can be worked upon as I have mentioned above also. Regular review sessions of the existing employees should also be held to know if they are satisfied with their work or not. Keep them informed of new policies and procedures. An informed and educated employee is much more effective.

S. Taking care of employee's family's needs

An Indian employee is very attached to his family. He can change his employment decision for the betterment of his family as has been already discussed. The management can take care of small family needs to keep the family and employees happy. The families can be taken to an excursion or they can be given gifts on occasions like anniversaries, festivals or birthdays, etc. The companies can also offer interest free education loans for employee's children.

IV. CONCLUSIONS

After completing this paper, I can conclude that there's no universal attrition management solution for every company. Each organization has to build its own motivation system based on compatibility between organizational and individual goals. A solution varies from organisation to organisation and from industry to industry. The organisations should have a clear understanding of their employee turnover rate and how it is affecting their company. In order to be successful in their business ventures in India, the international companies need to mould their strategies as per the Indian culture. As no country has similar cultures and environment, so their managers should be equipped with adequate training to meet the cultural changes. With the increase in foreign investment, attrition issues should also be tackled properly and timely. No business will work up to its full potential until and unless it deals with this problem effectively. Companies should adopt remedial measures mentioned above and should retain their efficient employees for as long as they can. Along with the subordinates, the supervisors also need to be trained to control and retain their junior. Companies should calculate their attrition rate on regular basis and should also calculate the cost attached to it. Thus, it can see whether this cost justifies the revenue generated by it or not. Companies should have a transparent functioning system so that every employee can know what he's expected to do in the organisation.

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