

A Study on Overview of Employee Attrition Rate in India

Rashmi Farkiya*

*Assistant Professor, Pioneer Institute of Professional Studies, Indore

Abstract

The pressures in the free economy, breakdown of trade barriers, fierce competition and globalization are making enormous demands on today's corporation to compete in every domain. The biggest challenge being faced by entrepreneurs, leaders and managers in these turbulent and uncertain times is to retain the talented employees and reduce attrition rate. In this era of cut throat competition, top management, HR managers are worried about employees leaving their organizations. Not only is it costly to lose trained employees but their replacements are not easy to come by, so management and HR strives hard to keep retention policies. Demand of the hour is to retain employees who urge for continuous improvement. The research paper aims at studying the overview of attrition rate in India and factors responsible for enhancing the attrition rate in Indian companies. The research is based on secondary data collected from journals, newspaper articles and internet.

Introduction: Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. The cause of attrition may be either voluntary or involuntary, though employer-initiated events such as layoffs are not typically included in the definition. Each industry has its own standards for acceptable attrition rates, and these rates can also differ between skilled and unskilled positions. As Indian economy has joined the global world of business, more opportunities are growing in terms of jobs. This leads to rising level of employee turnover. The instant gains in salary package are mainly responsible for the job hopping and thereby enhancing attrition rate.

Overview of Employee Attrition in India: Organizations in India must give serious thought to what drives employee commitment," says Mohinish Sinha, leadership and talent practice leader, Hay Group India. Employee turnover is predicted to rise to 26.9% in 2013 with an employee base of Rs 3 crore compared with 26% in 2010 on an employee base of Rs 2.8 crore, according to the study, 'Preparing for Take-Off', conducted in association with the Centre for Economics and Business Research. It covered 700 million employees in 19 countries. Worldwide, attrition is predicted at 21.2% in 2013 on an employee base of Rs 71.6 crore compared with 20.3% in 2010 on an employee base of Rs 64.4 crore. The number of workers expected to take flight will reach Rs 161.7 million in 2014 - a 12.9% increase compared with 2012 - as growth builds and employment opportunities increase, according to the study. Comparatively, turnover was minimal between 2010 and 2012. In the next five years, 49 million employees will leave their employers globally.



In India, sectors like infrastructure and banking - where new players are entering the field - will continue to suck in talent. In infrastructure, nearly \$1 trillion of investment has been planned in the years to 2018. With half of this expected from private financing, there will be huge demand for labor in India's finance, insurance, real estate and construction sectors - totaling 14% of employment in the organized sector - and raising turnover in these activities, as Sinha points out. Besides, there is a huge demand for ready talent, he says.

But not everyone thinks it is a function of external growth conditions. "The best insurance against attrition is not to hope for lack of opportunities outside but to build strong internal conditions which act like a glue to employees," says Divakar Kaza, president, HR, Lupin Pharma

Nearly 55% of Indian employees expressed concerns about the fairness of their compensation and the extent to which benefits meet their needs (48%). One in every three employees expressed concern over a lack confidence in being able to achieve their career objectives with their current employers (37%); as a result, they are concerned about opportunities for learning and development (39%) and supervisory coaching for their development (36%).

An analysis of Hay Group's employee opinion database, covering 5.5 m employees worldwide, threw up the most consistent predictors of employee engagement and commitment: confidence in leadership; an opportunity for career development; autonomy; supportive work environment; and appropriate compensation.

Why Do People Leave Job?

There are various factors that affect an individual's decision to leave a job. While an employee's leaving the job is considered attrition by one organization, it is looked at as talent acquisition by the new organization and to the individual it means a career move, economic growth and improved quality of life closeness to family etc. Hence, what is a problem for one may be an opportunity for another? There are various reasons why people leave their current job. These reasons may vary from individual to individual and when data are collected from a large number of individuals leaving or who have left an organization, some consistencies may be observed-providing more insights as to why people leave in large numbers. If these are controllable-one

attempts to control. If these are not within the control of the organization, the organization should prepare itself for managing attrition. In today's contemporary scenario, when an individual leaves the job, it causes a lot of disturbances in the organization. If it is a small organization the disturbance is even greater. Hence it is important to understand and manage attrition. There can be various reasons for people leaving their current jobs. According to global professional services firm Towers Watson in his report says, "Attrition in India is at 14 per cent, marginally higher than global and Asia Pacific countries (11.20 per cent and 13.81 per cent, respectively)," The report said that 92 per cent of firms in the country experience challenges in attracting talent with critical skills while over 75 per cent organizations face challenges in retaining high performing talent. For Indian employers, the top two priorities are 'career advancement opportunities' and 'challenging work environment', while for employees 'job security' and 'career advancement opportunities' are their main priorities. "74 per cent of the employers in India feel that their employees are actively engaged with colleagues who are in different countries as compared to 65 per cent employers globally," it added.

General Findings:

- The most common reasons for which employees leave an organization is salary or compensation. Most employees who have been in the same organization for a while expect to be compensated for their hard work and experience. If they feel that they are not being rewarded or even considered for an increase, they very often look to move somewhere else where they can receive a higher salary.
- Employer should always keep this in mind that beyond a point, an employee's primary need has less to do with how he is treated and how valued he feels. The first time an employee may not leave, but a thought has been planted, the second time that thought gets strengthened. The third time he starts looking for another job.
- Another factor which may prompt an employee to leave an organization may be the interpersonal relationships. Much of this depends directly on the immediate managers. Different managers create problems for employees in different ways by being too authoritative, too selfish, too critical, but they forget that employees are not fixed assets. They are free agents.
- Employee chooses to separate himself from the organization because of personal reason such as ill-health, desire to return to the native place for family reasons. The spouse is transferred and the current organization has no branch in the new location and so on. In the Indian context women may have to give up their jobs post marriage to resettle elsewhere in the country or even post-pregnancy.
- An employee leaves an organization if the fairness of the system does not inspire his confidence. Organization which pays scant regards towards employee safety and care will also have to face the mounting attrition level.
- High levels of stress and lack of work life balance- companies in their zeal to squeeze out every little ounce of productivity from their employees and further increase profitability

may opt for less number of employees. In the immediate context, it may produce palpable results. But in the long run perspective, stress level may soar as employees groan under the weight of excessive workload.

- Employee's personal life will also go for a toss due to alarmingly high level of work pressure. Employee burn out and steep fall in productivity are the obvious fallout. Sooner than later employees will be constrained to rethink their priorities and join an organization that promises a relaxed pace of work and a breathing space.
- Sometimes employees have to separate from an organization as they have not completed their probation period successfully or they are being laid off for want of work or their appointment was only on a temporary basis. In fact it is this aspect of separation that is most unpleasant since the earlier once discussed were cases of separation which were employee initiated.
- Care must be taken by the organizations to ensure that the above be carried out as smoothly as possible else, this could create a lot of negative impressions about the company which could be detrimental for the organizations image in the long run. One major consequence of this type of separation is that it affects the morale of the employees at large and creates a feeling of insecurity in general. Hence retention of talent pool is one of the biggest challenge in front today's organization.

Suggestions: By referring above findings few prescriptions have been rewarded that may assist organization to retain intellectual, Knowledgeable and educated manpower, which consequently helps organization to prosper:

- Offer fair and competitive salaries
- Developing a good training program
- Reward and recognition of employees
- Stock options
- Strengthen the recruitment process
- career opportunities
- Exit interviews
- Work life balance

Conclusion:

- Growth opportunities should be provided through internal job promotions
- Recreational activities should be introduced to reduce stress levels
- Team building activities to be created
- Time management skills to be inculcated among agents
- BPO's should introduce flexible working timings and styles
- Proper sales and process training
- Good rapport between team leader and agents should be established

- Employees in this should be provided with lot of personal space and a well thought-out career growth plan
- HR practices are needed to be fine-tuned so as to get the right kind of employees
- A long term relationship needs to be established between Company and its employees

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