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## **Analytical Study of Attrition across Indian Industrial Sectors**

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### **Abstract**

*“Attrition” a horrible word for Indian industries now days. Most of the Indian industries are facing the challenges of attrition like industries in automobile sector, pharmaceutical sector, IT sector, ITes sector, manufacturing sector, agriculture industry and the BPO industry sector. It becomes very difficult for the industries to retain the key employees of the organization. The main objective of this research paper is to find out the recent trends of attrition, reasons of attrition and to provide suitable retention practices for the Indian industries, those will be valuable to retain key employees of the organizations.*

**Keywords:** Attrition, employee, employer, productivity.

### **Introduction**

Attrition in human resource management means gradual wearing down of employees from the organization by the own will of the employees in organization is known as attrition. Attrition denotes that employees into the present organization are not satisfied (may be due to less pay, ineffective career planning of employees in organization, present employees) 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.

### **Conceptual framework**

Attrition can be defined in simple words as the reduction of number of workforce from organization, through retirement, resignation, death etc. employee leaves the organization because of many reasons like higher salary expectations elsewhere, due to personal reasons like marriage, health problem, organizational conflict etc. Attrition is highest in India as compare to the rest of the world. "Attrition in India is at 14%, marginally higher than global and Asia Pacific countries

(11.20% and 13.81%, respectively)," global professional services firm Towers Watson said in the report. Many Indian companies are facing challenges in attracting and retaining talent with a high attrition rate of 14%, which is more than the global average. The report said that 92% of firms in the country experience challenges in attracting talent with critical skills while over 75% 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. Many of the Indian employers expect that their employee should work more than normal working hours and this creates the stage of dissatisfaction of job among the minds of employees and results into the attrition. Indian industries are facing lot of challenges of attrition due their organizational efficiency also like improper career management programme, poor

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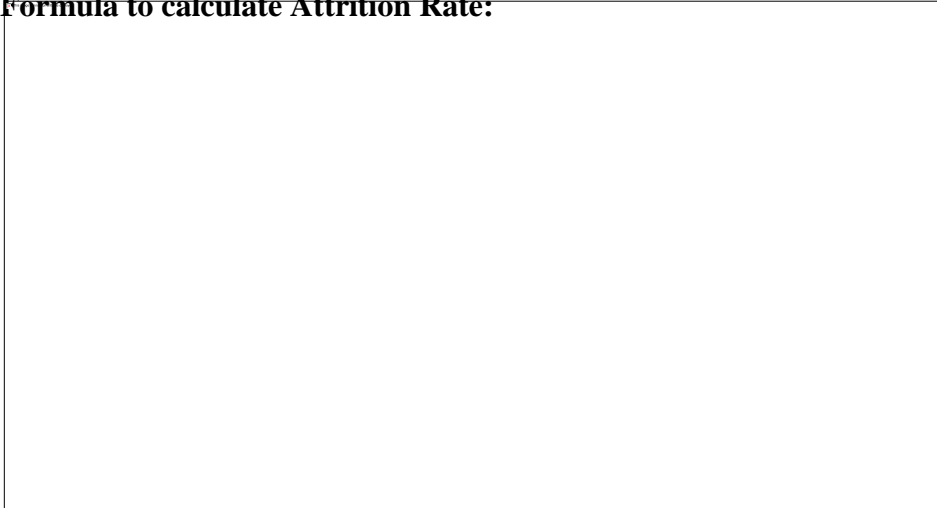
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performance appraisal practices etc. Industries like It, Ites are facing lot of challenges of attrition, Attrition in Ites industries is highest among other is 21%. Attrition is to be seen highest among the junior staff. "Easy entry and exit barriers, with minimum qualifications and skills levels required, makes the junior level staff in ITeS sector less stable workforce."

Attrition creates huge bad effect on the health of the organizations. When employee is to be selected in the industry huge cost has to be incurred on to that employees recruitment and selection, training and development, appraisal process etc. and when the employee suddenly leaves the organization, organizations both money and time is wasted and again organization loses the key talented employee again. This sudden attrition creates low productivity, imbalance in organization processes etc. also that's why attrition has to be given more attention. Attrition is the result of imperfect retention strategies in the organizations, which results in the gradual reduction of the workforce. Attrition is highest in Indian industries; one out of four Indian's are thinking to search for the new job. Each and every industry they are facing the problems of attritions, which results into reduce productivity, organizations suffers lot when key employees of the organizations leaves the organization. Key employees are the assets of the organization on their basis organization become more competent into the external world. Irrespective of the kind of industry or the structure of the organization, attrition is a common problem in every organization which not only hampers production but also results in heavy long run costs and loss of goodwill to the organization.

### **Formula to calculate Attrition Rate:**



### **Review of literature**

Employee attrition is the currently largely discussing term among HR professionals. Although many studies have been conducted on employee's attrition to find out the reasons of attrition, effect of attrition on but little has been done to find out the employees mind set about relationship, career management its effect on attrition. This paper will study those facts which are resulting into the attrition.

**C.Lalitha** published research paper in **International journal of research in management, economics and commerce**, and it has been stated that, the lifestyle and environment of today's employees has been totally changed as compared to the past employee prefer to break away from the monotony of doing the same job.

In the book **Recruitment, Retention and Employee Relations**, **D. Keith Denton** explains that "In emergency services, team stability and reliability in responders is essential to safely and efficiently mitigate the variety of dangerous situations faced daily. Turnover of personnel can definitely affect this although the effect may not be easily measurable. Many other consequences are tangible as, in the book contends that the problem of turnover should be addressed proactively. One of the most effective ways of both recruiting and retaining employees is to be the employer of choice. Denton adds that employees can be attracted and retained by offering them career opportunities, job variety, responsibility, training and giving them a sense of ownership

**Deloitte Human Capital Consulting** has done a compensation trend survey for year 2013-14 in which following thing has been observed that, the overall average attrition rate across industries is **14%**. "Better career opportunities and better pay have been cited as the key reasons for attrition across most sectors" Overall attrition rate for **automobile industry** at the **junior management** level is **14%**, **pharmaceutical 14%**, **BPO industry is**

**15%**, highest attrition rate has been observed in **ITeS industry i.e.17%**, followed by **advertising and media 16%**, **IT industry 15%** this particular attrition rate was due to highest salary increment in the ITeS, IT, pharmaceutical, health care and life science industry which is about 13.1% which

leads to employee being attracted by other foreign companies which turns vacancy into parent organization in which employee is presently working.

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**CAMPION, M.A.: Meaning and Measurement** urable. Many other consequences are tangible as, in the book contends that the problem of turnover in **Turnover: Comparison of Alternative Measures and Recommendations for Research**. In the **Journal of Applied Psychology** ‘Turnover occurs for many different reasons. Sometimes new job attracts employees and pull them to leave the old one. In contrary employee also pushed to leave job due to the dissatisfaction in their present workplace or by domestic circumstances when someone reallocates with their spouse or partner’

**CARSTEN, J.M. and SPECTOR, P.E.:Unemployment, Job Satisfaction, and Employee Turnover: A Meta-Analytic Test of the Machesney Model.**

In the **Journal of Applied Psychology** mentions that “a poor relationship Explain that“Employee turnover can be extremely devastating for any company. It makes the employers difficult to maintain a steady and successful operation. Management should have their own rating on employee turnover and measurement how this affects organizations performance. Losing a single key worker can decrease the likelihood of a project’s success and can reduce investor’s confidence in the firm

### **Research Methodology**

Research methodology is very important part of every research paper, in this research paper sources of data collection were mostly from the secondary data sources like newspapers, articles published,thesis on employees attrition and retention, international journals.

### **Attrition in India’s various industrial sectors in Indian industries**

#### **Attrition in manufacturing and Engineering Industry**

The average attrition rate across this industry is 11.8%. Highest attrition rate is seen at junior level especially clerical cadre which is 14.2%.Organizations attribute Better Career Prospects, Personal Reasons and Better Utilization of Current Skills as the main reasons for attrition.

The manufacturing sector in India is growing almost at the same rate as IT. The [attrition rate](#) too in this sector is very high and is a major challenge to its growth. Pointing this out, T Parabrahman, managing director and chief operating officer of Kirloskar Toyota Textile Machinery, said in Mysore that an acute shortage of manpower had hit every industrial segment in the country and the manufacturing sector was no exception to this.

#### **Attrition Rate in ITes Industry**

With relatively easy recruitment norms, the country's ITes industry is expected to see high double-digit attrition rates with most exits likely at the junior levels. Overall attrition rate in these sector industries is 21%.Besides; the sector would witness 20% attrition at mid-level management and 13-

15% among its top management. Easy entry and exit barriers, with minimum qualifications and skills levels required, makes the junior level staff in ITeS sector less stable workforce."

### **Attrition Rate in IT industry**

Employee attrition continues to be a burning issue for top Indian software companies. Most of the attrition is happening among lower-level software engineers, who have been taking advantage of opportunities elsewhere, including with US- and Europe-centric vendors building delivery centers in India. Overall attrition rate across IT industry is 16 to 18% which is quite higher than 2012.

### **Attrition in Auto & Auto components**

Employee attrition is again a problem in this sector also at the junior management level. The overall attrition in this sector is 11% it is higher in the clerical staff. Attrition rate of clerical staff in this sector is 14%. The Indian automobile industry is one of the largest sectors in India and a key contributor to the country's economy. 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.

### **Talent Crunch**

The sector is facing a shortage of skilled manpower. Moreover many top-level executives at automobile companies are quitting joining either rival firms or new industries altogether. They are willing to explore new avenues. Moreover, most of the auto players are reserving top positions for expatriates rather than escalating an India to that position.

**Lower Salary hikes:** Automobile companies pay less salary compared to other sectors such as IT and FMCG. According to a recent study, automotive sector falls among those sector which will see lowest salary hikes.

**Attrition Rate in Banking, Financial and insurance services:** Overall Attrition rate in this sector is 14% and which is quite high at the junior level staff is 16.6%. Once the new banking licences are cleared, the financial services industry is likely to witness a significant surge in recruitment activity so much so that attrition rates are expected to hover around 18% in 2014, says Kelly Services. Compensation Structuring, Developing Potential Leaders and Retaining and Rewarding the Critical Talent are the key HR challenges faced by this sector.

**Attrition Rate in Pharmaceutical industry:** Overall attrition rate in this industry is 12.8%. Attrition at junior level employees is 15.6%. Organizations attribute Better Career Prospects, Personal Reasons and Pursuing Further Studies as the main reasons for attrition.

**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.

### **Major causes of Attritions in Indian Industries:**

Attrition is the result of low job satisfaction and better career opportunities in India. Many Employees leaves the organization due to improper career planning, better pay elsewhere, pursue further studies, personnel reasons, better work life balances, low level of job satisfactions, organizational conflicts, poor promotion policies in organizations are the possible reasons of attritions. Many of the employees are there who leaves the organizations due to low level of job satisfactions, non challenging job profile.

### **Higher compensation offer elsewhere**

Many of the junior management people leave the job by attractive compensation offer by other industries. Especially in IT industry where employees are the only assets of the organizations highest attrition rate is in IT industry i.e. 17%. There is war in between the IT industry to retain their employees in their organizations. Six month is considered as the long term service in IT industry, many of the IT industries are offering higher salaries with new welfare facilities, attractive allowances like date allowance, entertainment allowance, vacation allowance are attracting these young people's also due to such facilities employees expectations are not satisfied in one organization. Loyalty for one organization is no longer observed within the employees.

### **Low level of job satisfaction**

In the organization there are different types of the people one who work only for earning money and other who work for money and job satisfaction both. Second type of the people are key employees for the organization because they are self motivated, proactive, wants the challenging job profile. These people can make new innovations for the organization; these are very skilled assets of the organization. When these people feels that we are not getting proper opportunity to express our talent, our career is not matching with the organizational career planning then these people have number of opportunities open for them.

### **To pursue further studies**

Many employees leave the job because they want pursue further higher studies in their career like higher and professional qualification that's why many junior management people leave the very frequently. Especially in IT, ITes industries.

### **Stress, conflict at work place**

As foreign companies have created number of opportunities to employees, they are having number of options open for them, if have high level of secretion of adrenaline secreted by their pituitary

glands, these peoples if negatively stressed can create nervousness, palpitation due to stress within the organization. This type of condition can create frustration; inability to give proper performance at work place will lead that employee to search for new job.

### **Family issues and personal reasons**

Family problems of employees are the another reasons of attrition which include illness of family member, children education, husbands or wife transfer, marriage, Desire to settle down near native place where employees are having most of their family members and society relative are the another reason for attrition.

**Lack of career growth:** If employees are not going to get proper career growth like employees objectives are not going to match with organizational objectives then employees are influenced to think for another job.

**Lack of recognition:** Employees always don't want money only but they want some recognition of their work which increases their moral. If employees are not recognized for their work they fill unsatisfied and they fill that they are less important for the organization that again influences employees to search for another job.

**Gender issues:** Attrition is higher in female employees as compared to the male employees. Our Indian society today also is male dominant society where it is informally granted that female should take care of house holdings, children's, and family members etc. which initiate female employees to give first preference to family then to job. Female are again the victim of sexual harassment at work place which is another reason for female attrition. Some other reason of female employee attrition again includes pregnancy, marriage, husband transfer etc.

### **A) Impact of attrition on organization: Cost of Recruitment, training, Induction Programme:**

When one employee gets selected into the organization initially the organization has to bear the cost of recruitment, selection, induction program me, etc. Initially the new employee takes some time to settle in organization it take lot of time to obtain the productivity of new employee to the organization. When new employee leaves immediately after say 3-6 months organizations are going to face lot of loss when they are going to compare the actual productivity of employee against cost incurred on him like on salary, recruitment, training cost, etc.

**Cost of loss of productivity:** When key skilled employees are leaving the organization their productivity to the organization is loosed.

**Cost of loss of knowledge, Talent, Expertise:** When the talented workforce migrates definitely it is going to create loss to knowledge which hampers the productivity, innovation, quality output of organization.

**Loss of Human assets:** Human resources are the important asset to the organization when they are lost definitely organization suffers lot of loss in terms of human assets. Human being are the only prime most assets to organization like IT, ITeS,.

**Organizational Imbalances:** Sudden attrition creates imbalance into the organizational processes, Disturbs the harmony within organization. Brake down of productivity etc.

**Organizational competencies:** Organization loses the key competencies in market in terms of productivity, sales turnover, market share of company, which will result into loss of shareholders into the market.

**Organization Image:** Organization loses their image into the market, corporate, society, employees etc. they develops the poor and negative image of organization in their mind. New fresh blooded skilled workforce will not be attracted towards the organization.

### **Retention practices to control the attrition**

**Working environment:** The primary employee retention strategies have to do with creating and maintaining a workplace that attracts, retains and nourishes good people. This covers a host of issues, ranging from developing a corporate mission, culture and value system to insisting on a safe working environment and creating clear, logical and consistent operating policies and procedures. Environmental employee retention strategies address three fundamental aspects of the workplace: the ethics and values foundation upon which the organization rests; the policies that interpret those values and translate them into day-to-day actions, and the physical environment in which people work. The overall goal is to make your company a place where people *want* to come to work.

**Track retention:** If you don't measure it, it won't improve. If you don't know which line managers are doing well and which are not, you'll not know who needs coaching. And if you don't know where you stand relative to your industry, then you're probably one of the worst.

**Train first level supervisors:** Good supervisors are crucial to retention. Steve Miranda, who is an expert, says, "Employees don't quite jobs. They quit managers." That's an overstatement, but not by much. Top on the list of best practices with employees about performance and expectations.

**Hire right in the first place:** Too many employment interviews are about personality: whether the job candidate matches the manager's personality. Focus more on job skills and you'll get a better fit, which is more likely to lead to long employment tenure.

**Offer employees a path to greater pay, recognition and responsibility:** Not everyone can rise to CEO, but every employee can build skills. Find a way to recognize those skill and challenge employees to gain even more skills. That makes not only a better employee, but one who feels a sense of accomplishment and success.

**Look for ways to increase flexibility in work conditions:** Can you accommodate non-work responsibilities and desires of your employees? Overly rigid work rules can drive good workers away.

**Look for stressors,** and train leaders on how to help employees in stressful positions.

**Re-evaluate your benefits package:** This isn't to say that benefits need to be increased, but that the package should meet the needs of those employees most likely to leave the company.



**Employer Branding:** Employer branding means creating positive image about organization in the minds of the employees, corporate world, society by practicing modern HR practices which include offering good compensations packages, giving good career opportunities, creating and maintaining good working culture. Initiating employees to think that this is dream place to work.

**Talent management:** Talent management implies that companies are strategic and deliberate in how they source, attract, select, train, develop, retain, promote, and move employees through the organization. The costs of having to replace someone with scarce skills are considerable.

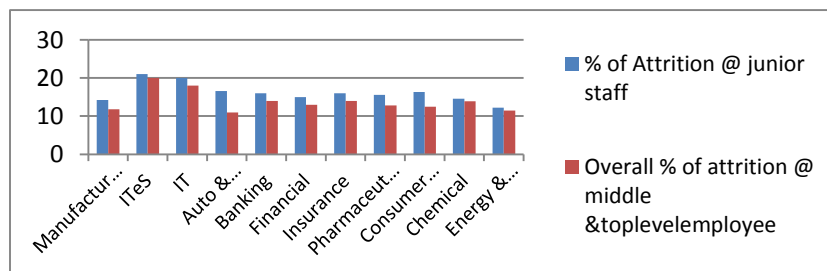
**Employee Engagement:** Employee engagement is the level of commitment and involvement an employee has towards his organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization.

**Exit Interviews:** Exit interviews are most important to be conducted at the time when employee leaves the organization. These interviews give the opportunity to organization to understand why employees want to migrate from their organization to the other. It gives an alarm to the organization to know where their HR policies are failing insufficient in retaining the employees.

**Service Bond at the time of contract of employment:** Many of the companies are doing a necessary service bond from new employee, that they have to work at least for minimum no of year of service which is mentioned in the service bond if they brake this term then employee will have to pay necessary amount mentioned in the bond. This practice is again creating the feeling of burden on the employees that their career growth is only to this organization. Many of the new employee are braking the bonds very easily which suggest that they are such offer elsewhere which can compensate the amount of bond.

**Extra Allowances:** Many of the organizations especially IT, ITeS are offering extra allowances like entertainment allowances, dating allowances for younger employees which keep these employees stick to their organization.

## Data Analysis and Interpretation



### Interpretation of Data

- 1) Above chart suggest that percentage of attrition is found to be highest at the junior level staff which is maximum in IT &ITeS industry respectively 21 and 20 %,then banking, finance, insurance, Auto & auto components, etc. The main reasons behind junior staff attrition is

- Higher compensation offer & extra benefit elsewhere.
- To pursue further studies.
- Easy entry & exit into the industries is another reason for attrition.
- Lack of personal responsibilities.
- Stress at workplace.

2) Attrition at middle and top level employees is quite low as compared to junior level employee and reasons of attrition are mainly due to followings.

- Higher compensation offer elsewhere
- Jobs are not challenging.
- Family issues and personal reason like to settle nearby native place.
- Lack of recognition
- Conflict at work place.

### **Conclusion**

The main conclusion to be drawn from above discussion is that attrition in various industries is of a course due to higher compensation elsewhere again along with, we can conclude that, money alone is not the only reason for attrition. Factors like recognition at work place, stress at work place, conflict with bosses, improper career management are responsible for the attrition across various industries. Present retention strategies are not sufficient to retain the employees in the industries. The level of attrition is highest at junior staff due to easy entry and exit in the organization due to which attrition at junior level employee is to be seen at higher level than at top and middle management level employees. Superior subordinate disharmonious relationship at work place becoming reasons of attrition.

### **Suggestion**

- Learning environment should be created in the organization to facilitate good harmonious relationship between superior and subordinate.
- Positive secondary reinforcement must be administered immediately after the good performance of the employee in the form of reward, benefit in monetary and nonmonetary form.
- Appropriate availability of career opportunities, plan good career management for your employee.
- Identify the level and cost of attrition and benchmark it with the competitor.
- Five day working schedule should be created so that employee can spend with his family & friends.
- Making work more entertaining, challenging, and creating fun at work can retain more employees.
- Motivate the employees by revising new reward strategy which can give uniform opportunities.