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## Alarming Attrition Trend in India: A Cause of Concern

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### ABSTRACT

Attrition refers to the reduction in number of employees of the organization due to various modes of separation; more particularly due to employees leaving the organization at their own due to various reasons in spite of the fact that management needs their services. It is reported that India could be No.1 in the world on attrition chart, one in four to switch jobs. This is a very serious matter because attrition reduces productivity and staff through a constant hammering of poor treatment or unfavourable working conditions. It can also involve reduction of employees through retirement or the elimination of a position. Attrition's most distinguishing characteristics is that when an employee leaves, no effort is made to replace him. Hence attrition is a major problem that needs to be examined and addressed before it harms the organization's bottom line and productivity. It is imperative for HR managers to know the aspects that prompt employees to quit an organization. Attempts are being made by them to adopt many retention strategies to arrest attrition. This paper describes the insights relating to attrition such as reasons for attrition, impact of attrition, suitable measures for lowering and controlling of attrition to keep business growing further more particularly in India.

**Key words:** attrition, retention, talent management, employee welfare, work culture

### INTRODUCTION

The biggest challenge facing the corporate

houses these days is not attracting the prospective employee but retaining the talent. As such attrition has been a never ending problem for every organization especially the developing countries like India due to either lack of appreciation or lack of proper job description. It affects the moral of other employees as also financial position of the company adversely. It has been always a very sensitive issue more particularly in IT firms in spite offering the highest salary package across all the business sectors in the past few years. This eventually causes financial burden on firms due to ever growing wage inflation and high attrition rates.

The employees in the present era are used to constantly seeing and adapting to change. The boredom syndrome among them happens quickly and easily and jobs are increasingly treated like projects and assignments that employees prefer to complete and move on to next. They desire to have the option of multiple employment contracts like project based jobs on full time or contractual basis. The corporate having no other option will have to either cater to these changing expectations of employees or simply lose them to competitors. "Global rotation plan" seeking active job changes in multinationals every 18-24 months found to be the ideal solution to arrest attrition to some extent. The companies are hiring young professionals coming from interior regions of the country to get more loyal employees.

Wipro Technologies is not just hiring candidates from rural areas but also making their expertise in the field. The company has hired 300 science graduates instead of engineers to undergo training to acquire necessary IT skills. They have recently trained students who are either graduates or even passed 12<sup>th</sup> standard for four months from backward Chindwara area in Madhya Pradesh to attract potential retainable loyal employees.

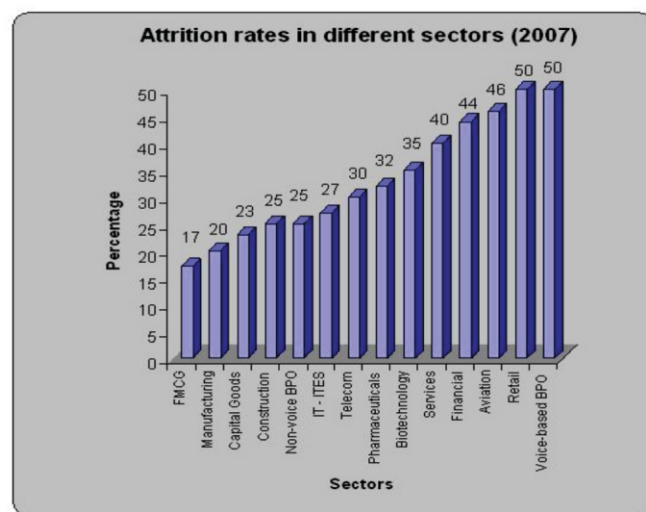
### ATTRITION RATE OF INDIAN INDUSTRIES

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 (Shreya Biswas)

As the growth trends firm up in the market, India is set to witness highest attrition rate in the world with possibility of one in four employees switching jobs in the country, as survey said today. It is observed that the concerns among the Indian employees about fairness of their compensation and career objectives could be the key reasons for them to switch jobs. Global management consultancy found that 49 million more employees are likely to leave their employers worldwide over the next five years compared to 2012 owing to improvement in the economic and labour market conditions. Asia-Pacific will experience its largest spike in employee turnover (job switch) levels this year. Attrition in India is at 14%, marginally higher than global and Asia Pacific countries (11.20% and 13.81%, respectively). The study shows that Bangalore has among highest attrition rates globally. One in every 3 Indian employees intends to shift in next two years. In contrast, only one-in-five of the work force over the world intend to do so.

The following graph describes the sector wise attrition rate of Indian industries

(Narkhede et.al)



Source: Website: <http://www.naukrihub.com/retention/attrition-rates-in-different-sectors.html>

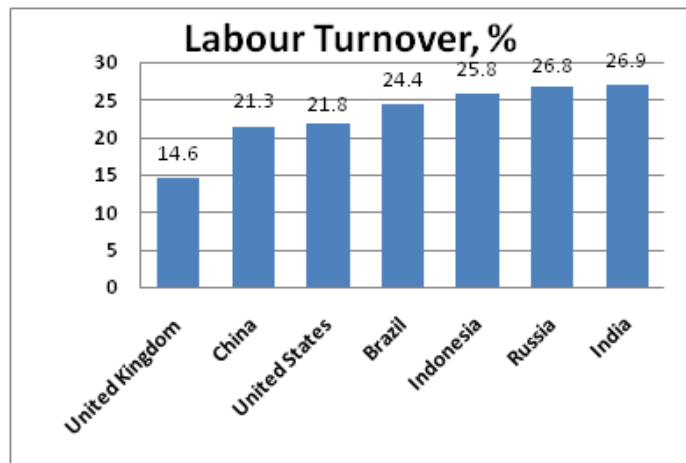
It is seen that almost all sectors are facing attrition. The reasons and effects of attrition in every sector are, however, different. BPO and retail sectors have the highest attrition rate. Aviation, financial and services sectors attribute to higher attrition rate due to global opportunities provided by private players. The lowest attrition rate is recorded in FMCG and manufacturing sectors since hiring of more sales persons for additional distribution channels on continual basis. The attrition rate in capital goods, construction, telecom, pharmaceuticals and bio-technology varies from 23% to 35% as can be seen from above graph. In India, sectors like infrastructure and banking-where new players are entering the field will continue to suck in talents.

**COUNTRY WISE LABOUR 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 (Shreya Biswas and Sinha) The employee turnover reported in 2013 in different countries is summarized below:

**Labour Turnover in Different Countries in 2013**

Name of Country	Labor Turnover, %
United Kingdom	14.6
China	21.3
United States	21.8
Brazil	24.4
Indonesia	25.8
Russia	26.8
India	26.9



Source: Website: [http://articles.economicstimes.indiatimes.com/2013-06-07/news/39815456\\_1\\_three-employees-indian-employees-attrition](http://articles.economicstimes.indiatimes.com/2013-06-07/news/39815456_1_three-employees-indian-employees-attrition)

India is expected to lead the region in turnover rate at 26.9% (in the organized sector) in 2013, the highest attrition rate globally and this figure is expected to go up further in 2014 to stand at 27.5 per cent. This is followed by Russia, Indonesia, Brazil, United States and China. The United Kingdom have reported the lowest attrition rate to the extent of only 14.6% showing vast difference in attrition rate between developed and developing countries of the world. The study indicated that nearly 55% Indian employees expressed concern about fairness of their compensation and the ability 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. A significant number of employees have expressed their concern over their firm's ability to provide the five retention factors namely, confidence in leadership, an opportunity for career development, autonomy, supportive work environment and appropriate compensation. The study further reported that 161.7 million employees are set to leave their jobs globally in 2014.

### DRIVERS OF ATTRITION

Employees quit their job for many reasons. It is not easy to find out who is responsible and who has the control over attrition. In fact the studies conducted so far indicate that everyone is contributing to the attrition process. The way the industry is projected and the speed at which the companies are expanding plays vital role in attrition. Attrition usually does not happen for one or two reasons. The in-depth study indicated various reasons for attrition and it is a challenge to study why employees change their jobs so

quickly more particularly in the developing country like India. Moving from one job to another for higher salary, better position and better benefits are the most important drivers for attrition. More so employees expect salary revision once in 4-6 months and if not, they move to another organization. Employees move out if there are strained relations with the superiors or subordinate or discontent of any kind. Considering all the perspectives, following are observed to be the prominent and critical reasons why employees quit their jobs. It is possible to manage them all (Susan M. Heathfield)

**1. Relationship with Boss:** The boss provides direction and feedback, spends time in one-to-one meetings and connects the employee to the larger organization.

He is too much of an integral part of their daily lives at work place. Employees need to have a cordial relationship with the boss. If relationship with boss is toxic or volcanic, the engagement, confidence and commitment of employees are affected adversely. It is reported that a bad boss is a foremost reason why employees quit their jobs.

**2. Relationship with Co-workers:** Next to employee's manager, the co-workers with whom he sits, interacts and serves with on teams are critical components of an employee's work environment. Employee is happy on his job provided he has a best friend at work. Healthy relationships with coworkers retain employees.

**3. Autocratic Management:** A serious issue faced by many organizations is the dictatorial attitude that some managers display such as criticisms and abuses. No employee usually wants to be intimidated by his supervisor. A

worker living in fear cannot be expected to remain productive resulting his chronic lateness, depression, exhaustion and resignation. An autocratic supervisor may also terminate employees quiet liberally, reducing the workforce and placing greater stress on staff.

**4. Working Conditions:** Employees are happy if working conditions are pleasant and conducive. Number of work hours, reasonable salary package, recreation, healthcare, transparency, stock option plan, financial support when needed, participative management and essential welfare and safety facilities etc. are essential components of working environment. Sometimes the job itself is the reason for high attrition more particularly for the jobs in fast food, entry level retail, hospitality, telemarketing and call centers where more customers are required to be handled with a low salary package lead to high attrition mainly due to inadequate compensation for the stress they endure. Excessive staff shortage and rules and regulations also lead to high attrition.

**5. Bored and Unchallenged Jobs:** No one wants to be bored and unchallenged by their work. Attrition rate is found to be high if challenging tasks are not provided by the employers. The employees often have much more potential than management gives them credit for. Workers who feel that their job is meaningless are only likely to stay as long as they have to. If the job is not challenging, the ambitious and doable employees may not think of continuing and looking for green pastures elsewhere leading to attrition (Susan M. Heathfield)

**6. Opportunities to Use Skills and Abilities:** When employees use their significant skills and abilities on the job, they feel a sense of pride, accomplishment and self confidence. They are wholeheartedly participating in activities they are good at and that expand their skills and abilities further. They want to develop and grow their skills. If they are not able to do this in their jobs, they will find one where they can. This includes opportunity. If an employee cant not see a path to continued growth in their current organization, they are likely to look elsewhere for a career development or promotion opportunity.

**7. Contribution of Work to Organization's Business Goals:** Needless to add that managers need to sit with each reporting employee and discuss the relevance of the employee's job and key contributions and deliverables to the overall strategy and business plan of the organization. Employees need to feel connected and that they are part of an effort that is larger than just their jobs and their contribution has a meaning. Many managers assume that employee will receive communication from executive staff which they don't; and they need your help to understand and connect their job to the bigger picture. If they are not considered part of it, organization will lose them.

**8. Autonomy and Independence:** Employees desire to have autonomy and independence in their day-to-day working. The instructions, supervision and guidance of superiors on micro management basis yields poor results as employees do not like them. Micro management if not avoided, empowerment of employees will not be created at their own for execution of their

responsibilities. Macro level management with sense of responsibility or accountability proved to be the best. If this is not done, best employees will leave.

**9. Financial Stability of Organization:**

Financial instability due to lack of sales, layoffs or reduced work hours, salary freezes, successful competitors highlighted in news, bad press, employee turnover, mergers and acquiring companies all these lead to an employee's feeling of instability and lack of trust. If the top management does not apprise the employees suitably about the realistic position of the company, employees who are worried about company's financial disorders, tend to leave (Susan M. Heathfield)

**10. Overall Corporate Culture:** The overall culture of the organization makes a difference for the employees which includes appreciation of employees, treating them with respect and providing adequate compensation, benefits, and perks. The culture and environment should be conducive to employee satisfaction and engagement. The events, employee activities, celebrations and team building efforts, transparent communication, accessibility with management, respect by senior executives, clear direction that make employees feel that your organization is a great place to work. If the work culture is indifferent, employees leave the organization.

**11. Lack of Acknowledgment:** Employees need to feel appreciated, If management does not recognize an employee's existence and her contribution, she is not likely to stay with the company. The employees may also feel that their compensation does not accurately reflect their work. Even a simple verbal congratulation is enough to make an employee

realize that management values her work (Alex Saez)

**12. Poaching:** The big companies target employees of small companies because demand for trained and competent manpower is very high. Most of the companies have employee referral schemes and this makes people to spread message and refer the known candidates from the previous companies by offering high salary package and other benefits to them leading to attrition.

**CONTROLLING ATTRITION**

The talent demand-supply mismatch will lead to more Indians having opportunities globally, and will further increase the war for talent. This talent war and management of human capital are top challenges for all stakeholders. In addition, Indian talent will also witness competition locally as more global organizations look to invest in India. The employee priorities like retirement benefits, medical cover for self and dependants, work life balance,, health insurance, career progression, house and transport accommodation, cash and benefits, vacation, flexi work hours and job security have to be taken into account by the employers to minimize attrition in India.

Employee attrition rate can never be eradicated entirely. It can be, however, controlled by following suitable strategies which poses the topmost challenge for HR professionals to retain best staff in a competitive environment.

**1. Conduct Exit Interviews:** When employees leave, it is usually due to either lack of appreciation or due to an inability of nurturing of employees according to their skills. A well designed exit interview is found to be a very reliable as well as cost effective employee retention tool which provides a valuable feedback about employee perceptions and experiences which help HR managers to take initiatives to retain loyal, talented and motivated employees. (Ref. No.5)

**2. Hire and Train the Right People:** The recruitment policies and procedures should be strengthened on a continual basis to attract the best candidates that are a good "fit" with the culture of the organization. Their values, principles and goals should clearly match with the company and then provide training to them to learn and develop for their career growth (Josh Tolan) It is also vital to recognize the value of having supervisors and managers with sufficient knowledge, skills and attitude who strive for excellence.

**3. Provide Competitive Compensation Package:** The company should provide the strategic compensation package and benefits considering the current market trend which should include variable pay scales besides base pay, long term incentives, bonus, gain sharing plans, health and welfare benefits plans, life insurance, vacation, leave policy, investment and retirement plans etc. thereby creating a cost effective employee-oriented work environment. Creativity in compensation and benefits can make a quite difference to the welfare of employee by assessing their needs keeping them satisfied on the job.

**4. Fire People who don't Fit:** The employee who is a bad fit is bad for company's culture despite the best done by company for him and

that he becomes a liability. Such employees cause more damage to the company than the good and hence fire them out.

**5. Hire a Human Resource Professional/Mentor:** The problems of employees which may lead to attrition in future will be well known by the mentor through counseling. He provides business guidance and shares his experience and skills with employees and thus plays a vital role by acting as the guardian to the employees when in stress (Narkhede et.al) The HR professional oversees and streamlines employee structure and manages employee benefits, perks, reviews and related tasks taking a huge load off HRD officials of company treating the employees fairly.

**6. Provide Conducive Work Environment:** Happy employees are the most productive workers who break workplace monotony and make it really a perfect place to work as they pass on their cheerful mood to their colleagues and managers too. Fun and laughter at work place, free flow of communication team spirit, treating the employees with respect, involving them in decision making process, adequate safety measures, clean environment, handling employee grievances, transparency in functioning, recreation facilities, good working conditions and flexible work hours etc. constitutes to conducive work environment leading to enhanced productivity. The company should provide such pleasant atmosphere to the workers to minimize attrition rate in the organization (Alex Saez)

**7. Provide Employee Welfare Facilities:** Besides salary and wages, the employees are looking for non-monetary welfare measures such as transportation facility, housing

accommodation, hospitalization expenses for mishaps and other medical emergencies, healthcare facilities, yoga/meditation, subsidized canteen facility, attire, rest rooms, gymnasium, performance benefits, leave travel concession, incentives, recreation facility, employee stock option plan, training and development activities for enhancing knowledge and skills, financial support for performing family weddings, death ceremonies, festival advance, housing loan, scholarship for children, sports facility, superannuation facility and hiring of friends of existing employees to get double benefit of working in a team as well as retention of existing employees etc.

**8. Keep Employees Engaged:** Employee engagement in general means utilization of physical, mental and emotional mindset of employee that brings together the concept of discretionary work effort, going the extra mile, feeling valued at the work place, passion for work, organizational commitment and job satisfaction. Engaged employees feel connected and have a strong sense of attachment towards their organization and invest themselves willingly and enthusiastically in their job role and also in the organization as a whole which ultimately results in reduced attrition.

**9. Be More Flexible:** Flexibility at the workplace primarily constitute to flexible working hours, flexible pattern of jobs and flexible locations. Today's employees desire a flexible work life balance. That impacts retention directly. Boston College Centre for Work & Family study found that 76% managers and 80% of employees indicated that flexible work arrangement had positive effects on retention (Sylvia Vorhauser) If employees are not provided flexibility around work hours

and locations, they might easily leave for someone who will.

**10. Recognize and Reward Employees:**

The employees should be treated as valuable assets and show them that the work which they do in the organization is valued and appreciated by offering them real time recognition that celebrates their success and their efforts. Provide an inclusive vision with a sense of purpose and meaning in their work. Make it specific, social and supported by tangible reward eventually the organization will also be rewarded with their loyalty and belongingness. If management does not recognize an employee's existence and her contribution, she is not likely to stay with the company (Darcy Jacosen)

**11. Demonstrate and Cultivate Respect:** It is essential to create a magnetic culture in the organization for good team work performance. The study reported that cultivating respect in the workplace was revealed to be a key factor in voluntary turnover. It is, therefore, necessary to find the ways to cultivate and nurture respect in the workplace and it will certainly pay off in higher retention.

**12. Make Opportunities for Development and Growth:**

The employees place a huge value on opportunities for growth and hence individual development and career development plans should be a regular feature in the organization. The recent survey drew a direct connection between lack of development opportunity and higher turnover intentions. Hence the company has to invest in and develop employees for their career growth. If this is not done, employees will not stay anymore in the company and are likely to opt for attrition.



### **13. Conduct Realistic Performance**

**Reviews:** Performance reviews offer a prime opportunity for a big win to increase trust and strengthen your relationship with employees. Performance reviews should be accurate and lead to motivation of employees. The organization should improve the performance management system by overhauling reviews and watch employee trust and satisfaction grow.

**14. Demonstrate Leadership Commitment and Accountability:** The top management of the organization is primarily responsible for developing employee job satisfaction and loyalty. Transparency in working, free flow of communication, accepting, respecting and fairly treating all employees from different backgrounds, providing support and opportunities equally to reach maximum potential, holding managers accountable when employees leave the organization help to create work environment suitable for career growth controlling attrition to a great extent (Darcy Jacobsen)

### **CONCLUSION**

Employee retention starts with the application process. The applicant's first look at the agency, followed by the employee's initial impressions during orientation, as well as subsequent assignments, performance ratings, awards, promotions and overall working conditions, all influence whether an employee stays or leaves. Attrition is a very serious challenge especially to rapidly growing organizations. Before it explodes, the organization should seriously work out the strategies to reduce the turnover so

that the organization should not suffer. Organizations planning for the future should be giving close attention to why attrition is occurring in the present. In order to retain employees, offer a competitive benefits package, including health and life insurance and a retirement plan, provide employees financial incentives such as raises, bonuses and stock options, consider hiring a human resource manager if company is nearing 100 employees or more, make sure employees know what is expected of them and how they can grow within the company. Attrition is not bad always if it happens in a controlled manner. Some attrition is always desirable and necessary for organizational growth and development. The organizations need to understand and differentiate good attrition and bad attrition.

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Editor's Note : The author has informed us that consolidated data for attrition in the corporate sector is available only upto 2007. Also, consolidated data regarding employees set to leave in 2015 not available.