



Effect of Seasonality vis-à-vis Cooperative Culture on Attrition of Sugar Cooperative Industry

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ABSTRACT

Attrition in business organization is burning issue as it amounts to cost to business besides adversely affecting productivity. If the out going employees are creating more value for the organization higher than Cost to Company, business should make effort to retain them. The reason of attrition may be employee, employer or the environment. This study attempts to find reasons of sugar industry and specifically which are bearing on (1) seasonal nature of sugar industry and (2) if the sugar industry under study is cooperative society.

The study is substantially based on secondary data. We study cooperative legislation, annual reports of sugar cooperatives and reports of labour departments. Primary data is collected through interaction with executives of sugar cooperatives. The analysis attempts to segregate reasons of attrition and the root cause of attrition to suggest means and ways to reduce attrition, if it is detrimental to the employer.

Keywords : Sugar cooperatives, attrition, employee turnover, seasonal industry

Introduction

Human resources are one of the most valuable resources of an organization and indeed an organization is nothing without human resources. Employees are important assets in running of a business. Selection of an employee is very important task for a business and to retain good employee is even more important and a challenging task for the employer. Maintaining employees is about providing working conditions that are worker friendly, involvement in decision making, good salaries, recognition for good performance and so forth. Labour turnover refers to the movement of employees in and out of the organization. Satisfied employee may prefer to continue and works for a business, but unsatisfied employee may leave his employer any time. When one employee leave the job, the task for business is much tougher to replace another employee. The process of employee leaving the job and to recruit another to replace the employee is known as "attrition". Attrition is also known as "employee turnover" or "staff turnover" or "labour turnover", means the rate at which an employer gains and loses employees. Attrition amounts to cost to certain extent for a business. High turnover may be harmful to a company's productivity if skilled workers are often leaving the job. If the out going employees are creating more value for the organization higher than CTC (Cost to Company), business should make effort to retain them in the organizations. The reason of attrition may be employee, employer or the environment. This study attempts to find reasons of sugar industry and specifically which are bearing on (1) seasonal nature of sugar industry and (2) if the sugar industry under study is cooperative society. The study is based on secondary data and limited primary data. We study cooperative legislation, annual reports of sugar cooperatives and reports of labour departments. Primary data is collected through interaction with executives of sugar cooperatives. The analysis attempts to segregate reasons of attrition and the root cause of attrition to suggest means and ways to reduce attrition, if it is detrimental to the employer.

Employee Turnover & root cause

Over the years there have been thousands of research articles exploring the various aspects of turnover, and in due

course several models of employee turnover have been promulgated. The first model and by far the one attaining most attention from researcher, was put forward in 1958 by March & Simon (Process Model of Turnover) followed by Porter & Steers (Met Expectations Model), Price (Causal Model of Turnover), Mobley (Intermediate Linkages Model), Hom and Griffeth (Alternative Linkages Model of Turnover), Whitmore (Inverse Gaussian Model for Labour Turnover), Steers and Mowday (Turnover Model), Sheridan & Abelson (Cusp Catastrophe Model of Employee Turnover), Jackofsky (Integrated Process Model), Lee et al. (Unfolding Model of Voluntary Employee Turnover), Aquino et al. (Referent Cognitions Model) and Mitchell & Lee (Job Embeddedness Model)⁴. The models attempts to identify reasons of turnover and attributing factors to build specific models on the basis of researchers focus. We try to capture the reasons of employee turnover in sugar industry and attempts to classify those reasons into (i) nature of seasonality of the sugar industry or (ii) institutional structure, the cooperative organization. Mobley (1982) defines employee turnover as "the cessation of membership in an organization by an individual who received monetary compensation from the organization". Mobley also outlined the four classes of determinants of turnover in organizations. These determinants include (1) external factors, such as the availability of jobs and unemployment levels; (2) organizational factors like supervisory style, pay, job content, reward system, and work environment; (3) individual non-work-related factors, such as another person's career move or family considerations; and (4) individual work-related factors, such as a lack of job autonomy or unchallenging or uninteresting work. Within this context, we attempts to study reasons of employee turnover in sugar cooperatives to be segregated into seasonality of business and cooperative nature of the business.

Employee Turnover & Cost

Employee turnover may not be easily & precisely measurable in costs, but it can seriously affect an organization. When accounting for the costs whether real or opportunity costs, the cost of employee turnover to for-profit organizations has been estimated to be up to 150% of the employees' remuneration package⁵. Within real cost, there are both direct and indirect

costs. Direct costs relate to the leaving costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale. Opportunity cost includes forgone benefits due to absence of employee. Therefore, turnover of these individuals incurs both replacement costs to the organization as well as resulting in a competitive disadvantage to the business. The employee turnover cause costs due to separation costs, paperwork, vacancy costs, overtime or temporary employees; and replacement costs including advertisement, interview time, relocation, training, and decreased productivity when colleagues depart. Providing a stimulating workplace environment, which fosters happy, motivated and empowered individuals, lowers employee turnover and absentee rates⁶.

Society for Human Resources Management and Wall Street Journal survey conducted in the US (Burke & Collison, 2004). This survey found that 35% of current employees are actively seeking a new job and that 40% of employees are passively looking for new jobs. There are three major reasons why turnover is a central issue in the field of organizational performance across the globe. First, turnover is related to low organizational knowledge, low employee morale, low customer satisfaction, high selection costs, and high training costs (Staw, 1980; Talent Keepers, 2004). Second, high employee turnover is related to lower organization performance (Glebbeek & Bax, 2004; Huselid, 1995; Phillips, 1996), turnover is often the final outcome of an individual's experiences in an organization (Hom & Griffeth, 1995). Third, external environment like employment opportunity in the market, competition, technology updating, geographical/area specific legal environment, industry specific competition etc. Many researchers have studied turnover as a criterion to evaluate the effectiveness of various organizational processes, such as selection of employees (Barrick & Zimmerman, 2005; Meglino, Ravlin & DeNisi, 2000), training of employees (Ganzach, Pazy, Ohayun & Brainin; Glance, Hogg & Huberman; Hequet, 1993), and mentoring of employees (Lankau & Scandura, 2002; Luthans & Peterson, 2003; Payne & Huffman, 2005). Understanding the factors that influence turnover gives organizations the opportunity to reduce selection and training costs, increase employee morale and customer satisfaction, and enhance organizational productivity.

Cooperatives and Employees

All employees of a cooperative are very important assets of the organization and an employee represent it's employer at any position he works. Cooperatives are organization of a special character and focus on social benefit along with the economic benefits⁷. A cooperative incurs significant investment in training of employee. A long term worker who has contributed to building the customer base, management structure, relation with the suppliers, production processes and work systems is an irreplaceable asset to the cooperative, whose departure causes loss of morale among other staff. There is some positive potential in turnover as an opportunity to hire more highly skilled employees who bring about innovations in operations. And when poor performers and disruptive personalities leave, morale may improve. However, it's expensive in terms of staff time to recruit, interview, select and train replacements and to cover the lost productivity of the staff who train them.

Sugar Industry in India

Sugar has been manufactured in India since time immemorial. India regarded as the original home of sugarcane and being the largest producer of sugarcane has considerable potential for the development of sugar industry to meet domestic demand and part of the over seas demand. The sugar industry which ranks second among the industries of India makes significant contribution to India's export earnings. Being an industry and producing an essential commodity, its importance need not be emphasized further. It is worth mentioning that the industry employs over five lakh skilled and unskilled workers mainly from the rural areas. Sugar industry employs over 7.5 per cent of the rural population of India is directly or indirectly. The Indian sugar industry is a key driver of rural

development, supporting India's economic growth. The sugar industry's contribution, to the Indian economy is presently enormous with its total turnover of over 12 billion US Dollars per year. The Indian sugar industry is amongst the largest tax payers to the Central exchequer contributing 0.568 billion US Dollars per year. Approximately 48% of sugar is produced by sugar cooperatives⁸. The industry is inherently inclusive supporting over 50 million farmers, and also the distributors, retailers, workers and entrepreneurs approximately numbering 500 millions. In addition to farmers, an estimated 0.5 million workers are directly employed as agricultural labour involved in cultivation and harvesting. The sugar industry also supports diversified ancillary activities and skills that support the local economy. The dependent population creates substantial demand for local goods and services⁹. The sugar industry employs farm labour to produce sugar cane and jute as Jute Packaging Material Act 1987, mandates sugar to be packed only in jute bags. Sugar industry has dual control through state & central government. The agricultural practices vary from state to state depending upon the irrigation facilities, soil condition, weather, inputs from local state agriculture depts. State support in form of subsidies on water, power, diesel and work attitude of regional labour affects working of sugar industry. Cost of cultivation study¹⁰ indicate that labour costs for sugarcane are roughly double those for wheat and paddy, suggesting that labour availability and costs may be constraints to growth in sugarcane area. One of the reasons of high attrition in sugar industry is its seasonality working.

Seasonality in Sugar Industry

The problem of seasonalisation in agro-based industries is inherent in nature. As workers are not able to earn their livelihood throughout the year, the labours remain idle in rest of the period. During the period, if they get another work, they may or not return to the work in subsequent season. Continuous employment and attachment with the work is axle of relation between employee and employer. During off season, workers remain unemployed and have to survive on the saving or finding other work. The wages of sugar industry is not as high to make surplus and saving, the worker tends to borrow money for survival. The borrowing money put them in interest burden and debt trap leading to relocate in another geographical area. Agricultural labourers and other workers are migrating from drought prone areas to irrigated and industrially developed areas for part time work or seasonal types of jobs. Workers migrate from their native places to urban areas or other places of work due to various reasons.

Other than economic reasons, there are legal and social reasons which affect employee turnover in an industry. To understand clearly, seasonal factory in common parlance means factory which normally works for approximately half the days of the year. Surprisingly different Act defines it differently and the applications of particular labour law pertaining to seasonal factory have specific and limited protection of labour of seasonal industry. This also leads to high attrition compared to full time factory. As per Employee State Insurance Act 1948, Seasonal Factory means a factory which is exclusively engaged in one or more of the following manufacturing processes, namely, cotton ginning, cotton or jute pressing, decortication of groundnuts, manufacture of coffee, indigo, lac, rubber, sugar (including gur) or tea or any manufacturing process which is incidental to or connected with any of the aforesaid processes and includes a factory which is engaged for a period not exceeding seven months in a year. The main feature of nearly all the seasonal factories is that the workers are still agriculturists and the great majority live in their village homes. The workers are generally quite unorganized and wages tend to be low.

Though, no Indian sugar industry works 365 days in a year, but working days range amongst sugar factories may vary from 90 days to 240 days in a year. The Industrial Disputes Act, 1947 provisions of Section 25 does not apply to an establishment of a seasonal character or in which work is performed only intermittently. Sugar industry employs labour

on its own roll and equally through labour contractors. The Contract Labour (Regulation and Abolition) Act (CLRA) 1970 seeks to regulate the employment of contract labour in certain establishments. It applies to establishments employing 20 or more contract workers and to contractors employing 20 or more workers but it is not applicable to establishments performing intermittent work, i.e. work performed for less than 120 days and seasonal work performed for less than 60 days. It is difficult to generalize therefore that whether the regulation applies to sugar industry or not, as it depends upon number of workers and number of days in year for which the production is on. Bonus Act 1965, Section 8 relates to the eligibility of seasonal workers for bonus, accordingly the employee should have worked in an establishment for not less than thirty working days in an accounting year. Therefore, if a seasonal worker has worked in an establishment for more than thirty working days, he shall be entitled to get bonus. An employee of a seasonal factory is entitled to proportionate bonus and not minimum bonus, as prescribed by the Act.

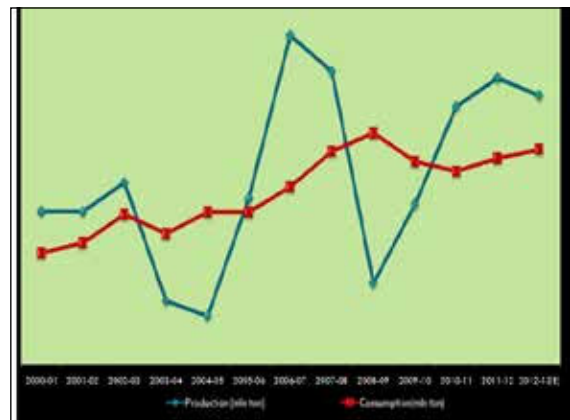
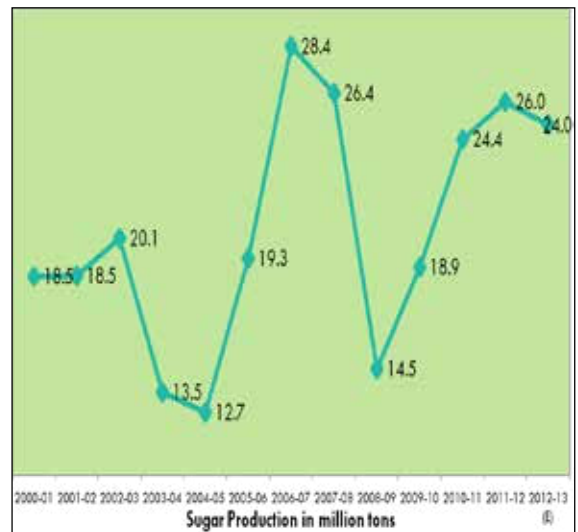
Gratuity Act 1972, The quantum of gratuity is to be computed at the rate of 7 days wages in case of seasonal establishment (at the rate of 15 days' wages for other workers) at the rate of wages last drawn by the employee concerned for every completed year of service or a part thereof exceeding 6 months. Employees State Insurance Act, 1948 applies to all factories excluding seasonal factories employing 10 or more persons. Contract Labour (REGULATIONS & ABOLITIONS) Act, 1970 applies to every establishment where the Contractor employs twenty or more contract employees. It also applies to the establishments in which the work is carried only on intermittent or casual nature or the seasonal character work exceeding 60 days. These provision leads to inferior rights of the labour as compared to labours of the other industry. Labour of seasonal industry

The National Commission on Rural Labour in India¹¹ estimates more than 10 million circular migrants in the rural areas alone. These include an estimated 4.5 million inter-state migrants and 6 million intra-state migrants. The Commission pointed out that there are largenumber of seasonally migrant workers in the agriculture and plantations, brick kilns, quarries, construction sites and fish processing. The problem of seasonal migrant workers in the sugar industry and other agro-based industries is not a new phenomenon in India. There are more than 500 sugar factories in India. The average crushing season of the sugar factories varies from 116 to 165 days¹². In the country, Agricultural workers migrate from drought prone areas of Maharashtra state to irrigated areas or industrially developed areas of the state for seasonal work in the sugar factories. There are about 12 lakh sugar cane cutters, transporters, sugarcane harvesting seasonal migrant workers in the Maharashtra state. The majority of seasonal workers or poorer live in the rural areas and belong to the categories of landless labourers, small and marginal farmers, scheduled castes and scheduled tribes and other backward classes.(Salve,1990).These people have either no assets with very productivity, a few relevant skills and no regular time or very low paid jobs seasonal. Besides, migrant workers are engaged in different types of jobs such as brick kilns, salt pans, stone quarries, and construction in agri-business like harvesting of sugarcane.

It has been observed that seasonal migrant workers in sugar factories in the Maharashtra and other states, they have to stay in make shift shacks, huts or in the open and have no access to safe drinking water. The Factories Act, 1948 makes it obligatory on the employers to provide drinking water, washing, bathing facilities for workers and latrines and urinals for workers etc. It was found from the surveyed sugar factories that drinking water, washing and bathing facilities, other facilities were totally absent for contract basis seasonal migrant workers in the premises. On the other hand, it isn't equitable for new employees to make as much as someone in the same job who's been there several years. Modest increments for seniority are reasonable as long as they are not automatic; a

worker must have at least a satisfactory performance review to earn the raise. And at some point, a seniority scale must top out.

Graph-1



Source: ISMA (Indian Sugar Manufacturers Association) Production and consumption pattern of sugar

Sugar Industries & Cooperatives

Although, the Cooperative Societies Act was already enacted in 1904, the same year that the first vacuum pan sugar factory at Saran in Mahowrah, Bihar was established, it was only in 1933-35 that the cooperative movement made an in-road into the sugar sector in Andhra Pradesh. Although sugarcane was not one of the principal crops of Andhra Pradesh, the sugarcane growers badly affected by the violent fluctuations of the jaggery market, decided to utilise the underlying notion of self-help and self-reliance in the Cooperative Societies Act and organised cooperative societies and set-up cooperative sugar factories at various places. During 1933-35, in Uttar Pradesh also a cooperative sugar factory was set up at Biswan which also had to be sold off to private enterprise subsequently. In late 40s, other states including Maharashtra & Gujarat ventured into sugar cooperatives, to name a few cooperatives of repute are Warananagar, Pravaranagar, Gandevi and Madhi. To represent collective strengths of state sugar cooperatives, leading producer states initiated cooperative federation of sugar cooperatives like Maharashtra Sugar Cooperative Federation Limited was registered in 1956¹³, The Gujarat State Federation of Co-operative Sugar Factories Limited¹⁴, was registered in 1960 and U.P. Co-operative sugar factories Federation was established in 1963¹⁵.

Sugar Cooperatives

The 'sugar' is central subject while 'cooperative' is a concur-

rent subject matter and within power of central and state government both. To take up all matters of cooperative sugar factories with Central Government and to guide them technically and otherwise the National Federation of Cooperative Sugar Factories Limited was established on December 2, 1960 for promoting and guiding the increasing number of cooperative sugar factories on a national level. Cooperatives in India and sugar cooperatives in general have low tendency to adopt motivating practices and hence the labour turnover is high. Cooperatives are member driven organization and these memberships may be either of the three; (i) suppliers (ii) workers and (iii) consumers. Sugar cooperative can have first two categories as their members, but Indian sugar industry is generally owned by the farmers, the suppliers and hence sugar cooperatives have not harvested benefit of having the workers as their members. The Income Tax law provides tax benefit to the cooperative and even cooperative law restricts payment of dividend to the members beyond 15%. A cooperative can use higher payment to their suppliers and workers to overcome both the restrictions. Cooperatives are socio-economic entity; owned by the members, managed by the members and work for the members. Cooperatives are managed by local politicians, and hence local politics affect employability and un-employability. Elections, local government & cooperatives election brings surge in employment because of promises of contesting leader are looming during the time. After election, the retrenchments take place leading to losing many jobs. In many cooperatives, selection of the work force is done on political ground rather than professional stand.

Finding & Suggestions

Man power planning in sugar cooperatives is typical to the fact that it is significantly affected because of blend of factors ranging from seasonality of the sugar production business, climate to cultivate sugar cane, sugar market, government policies on labour, sugar & cooperatives, skilled & unskilled workers, cooperative nature of the entity etc. Indian sugar production follows a 5 year cycle 2 to 3 year of high production; followed by 2 to 3 years of low production; and vice versa. Consumption growth is linear. This leads to slack season of a uneven length causing uncertainties of unemployment. The consumption of sugar is steady or growing linear. It is advisable that, the employees from production should be shifted to other work like distribution, packing and production of packaging material. Unless your pay scale recognizes level of responsibility, skill, and to some extent seniority, the cooperative will merely have spent time and money preparing staff to leave for higher paying jobs elsewhere. Seniority increases seem an obvious choice, but sheer length of time doesn't guarantee versatility, overview, competence, or any other attribute relevant to the success of the business. The point is to manage turnover, not to avoid it at all costs. Therefore, your pay structure should support your investment in staff development with differentials for higher levels of responsibility and skill, particularly in management. This also recognizes the reality of the labor market and the "replacement value" of experienced staff. Job characteristics providing the most satisfaction are interaction with people, sharing information and solving problems, coworker relationships and support, and job flexibility. Job characteristics leading to job dissatisfaction are night and weekend work / trying to balance work and fam-

ily, paperwork, and uncertainty regarding job responsibilities as leading to job dissatisfaction. Factors leading to employee resignation are time demand / time away from family, salary, lack of leadership and support, and unrealistic expectations; and recommendations to increase employee retention are improve current mentoring programs, provide better leadership and support, increase Agent salaries, and create an internship program.

Employability in sugar factory depends upon several factors including cascading effect of sugar cane production, market, prices and government policies. The local factors also affect level of production of sugar cane and sugar. Sowing of sugar cane depends upon how farmers have earned or lost money in the past years due to selection of a particular crop. Sugar cane crop takes a year's time period to harvest the crop, and hence unless there is plenty of assurance of continuous water supply, farmers will not take risk of sowing sugar cane. Sugar cane requires additional water after monsoon season is over. Hence, the year in which there is good rainy season followed by another good monsoon provide assurance of adequate water supply for the crop. On the other hand, farmers have a choice of other crops that take less time may be a quarter or two for harvesting. The farmers decide sowing crop on the basis of his cash cycle. Longevity can be rewarded also in the benefits structure, usually by giving more paid time off, although this too should top out after a certain number of years. Eligibility to take long unpaid leaves of absence, highly prized among cooperative workers, could be reserved for only those who have worked, say, 5 years. Pension plans promote longevity in that the longer a worker stays; the more the cooperative pays in. Profit-sharing, including options for partial worker ownership, could be used to reward staff with quarterly or yearly bonuses, for their work in making the cooperative profitable. Beyond monetary compensation, people crave and deserve honest feedback about their work, through objective, job-oriented evaluations. Many cooperatives wait till people leave before honoring their contributions. Work-related achievements, such as completion of a special project, employment anniversary dates, or promotion to a new job, could be the occasion for an informal party at the work, an after-work dinner, a feature article in the newsletter or an award given at a membership meeting may create strong bond. Market, demand & price fluctuations also affect employability in the sugar cooperatives. The manpower planning may be undertaken amongst different state cultivators, producers and distributors on a long term basis. There is cycle of cultivation specific to cultivation and production, but in different state the pattern may be different. A pool may be created to transfer workers from the place where there is slack season to a place where there is a work. It may be noted that sugar consumption is having steady growth, and cultivation of jute also be clubbed for employing workers engaged in sugar industry. Accordingly the workers should be trained in different skill to adjust labour requirement of the market. Government schemes of employment like NAREGA¹⁶ also affect shortage of workers in sugar cane cultivation and sugar production. The government should engage into research to find out any adverse effect of the scheme on sugar or any other industry.

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