



## EMPLOYEE ATTRITION AND RETENTION IN A CUT-THROAT COMPETITIVE ENVIRONMENT IN INDIA : A HOLISTIC APPROACH

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### ABSTRACT

In the best of worlds, employees would love their jobs, like their coworkers, work hard for their employers, get paid well for their work, have ample chances for advancement, and flexible schedules so they could attend to personal or family needs when necessary. And never leave. But then there's the real world. And in the real world, employees, do leave, either because they want more money, hate the working conditions, hate their coworkers, want a change, or because their spouse gets a dream job in another state. Retention is more economic than going for new recruitment. Organizations should have an effective retention plan to retain its employees. This article presents a holistic view of attrition and retention of employees in this cut throat competitive environment in India.

### KEYWORDS

Attrition, Retention, Holistic etc.

### Introduction

Employers generally consider attrition a loss of valuable employees and talent. However, there is more to attrition than a shrinking workforce. As employees leave an organization, they take with them much-needed skills and qualifications that they developed during their tenure. On the other hand, junior professionals with promising qualifications can then succeed into higher level positions or business owners can introduce more diversity in experience or expertise. Accordingly, there are benefits and disadvantages to attrition. In other words 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. Due to the expenses associated with training new employees, any type of employee attrition is typically seen to have a monetary cost. It is also possible for a company to use employee attrition to its benefit in some circumstances, such as relying on it to control labor costs without issuing mass layoffs.

There are many different ways for a company to lose employees, most of which are typically taken into account to ensure that the organization is able to operate efficiently. Attrition refers to the loss of employees due to reasons other than firing and other employer-initiated events. This means that an employer has no direct control over how many personnel are lost to employee attrition. Retirement is one major cause of employee attrition, and since people tend to retire around a specific age this is a factor that can be accounted and planned for. Other causes of employee attrition, such as personnel who quit due to prolonged illness, dissatisfaction with the company, or other reasons, can be more difficult to estimate.

The percentage of employees that leave a company in a given period of time due to attrition is sometimes referred to as the churn rate, though that term can also include personnel who are fired. A high churn rate can adversely affect a company due to the costs of training new workers, though higher rates are often more acceptable for unskilled laborers than more highly skilled or trained workers. Churn rate is often lower in industries that employ highly skilled workers, and companies often use lucrative employment contracts and other tactics to prevent some forms of attrition.

There are also circumstances where employee attrition can be used to benefit a company. In some circumstances, it becomes necessary for a company to cut labor costs to remain

profitable. One method of dealing with this type of issue is to lay off a number of workers, though this can present morale problems for the remaining employees. If the attrition rate is known, then simply not hiring new employees can present a long term method of dealing with the same problem. Since some employees will retire or resign over time through attrition, a hiring freeze can eventually result in fewer employees and a similar savings in labor costs.

### Reasons for attrition

It is not easy to find out as to who contributes and who has the control on the attrition of employees. Various studies/survey conducted indicates that everyone is contributing to the prevailing attrition. Attrition does not happen for one or two reasons. The way the industry is projected and speed at which the companies are expanding has a major part in attrition. The specific reasons for attrition are varied in nature and it is interesting to know why the people change jobs so quickly. Even today, the main reason for changing jobs is for higher salary and better benefits. While attrition cannot be attributed to employees alone, let us look at some of the possible reasons

### Organizational matters

The employees always assess the management values, work culture, work practices and credibility of the organization. The Indian companies do have difficulties in getting the businesses and retain it for a long time. There are always ups and downs in the business. When there is no focus and in the absence of business plans, non-availability of the campaigns makes people to quickly move out of the organization.

### Working environment

Working environment is the most important cause of attrition. Today's Gen Next employees expect a professional approach and an international style working environment. They expect a friendly and learning environment. Employees look for freedom, good treatment from the superiors, good encouragement, friendly approach from one and all, and good motivation.

### Job matters

No doubt the jobs today bring lots of pressure and stress is high. The employees often switch jobs if there is too much pressure on performance or any work related pressure. It is quite common that employees are moved from one process to another. They take time to get adjusted with the new processes while few employees find it difficult to adjust and consequently leave. Monotony sets in very quickly and this is one of the main reasons for attrition. Job hopping is very common among youngsters who look at jobs as being temporary. An-

other commonly looked option is to move to such other process where there is little or no pressure of sales and meeting service level agreements (SLA). The employees move out if there are strained relations with the superiors or with the subordinates or any slightest discontent.

### Salary and other benefits

Moving from one job to another for higher salary, better positions and better benefits are the most important reasons for attrition. The salaries and benefits offered by MNCs are generally higher than their Indian counterparts. The employees expect salary revision once in 4-6 months and if not they move to other organizations.

### Personal reasons

The personal reasons are many and only few are visible to us. They vary widely from getting married to relocating for health/family reasons. The next important personal reason is going for higher education. Health is another aspect, which contributes for attrition.

### Poaching

The demand for trained and competent manpower is very high. Poaching has become very common. The rise in the number of placement agencies has led to a boom in poaching. Most of the organizations have employee referral schemes and this makes people to spread message and refer known candidates from the previous companies and earn too.

### Retention Strategies

Retention of efficient employees is one of the most critical challenges faced by many corporates worldwide and our Indian companies are no exception to this phenomenon. The HR managers have been facing a tough time finding a suitable replacement with required experience and ability, to fill up the vacancies created on account of exit of key employees. The reasons can be varied like shortage of skilled manpower, growth in opportunities as a result of economic reforms and liberalized policies pursued by successive governments at the Centre. Attrition level can also be more due to rigid and unpopular HR policies pursued by the corporate. Company managements are increasingly concerned about retaining qualified experienced managers and lot of debate has taken place about the increasing trend in employees' attrition, more particularly in knowledge-based industry like software and mutual fund industry. Faced with a continuing shortage of trained personnel, the Indian mutual fund industry, for example, is beginning to use employee stock options to attract and retain quality employees. In addition some of the mutual funds have announced plans to institute a stock ownership

program and are looking at employee stock option plans (ESOPs) as part of their overall human resource management process. One of the leading AMC's recently granted its employees -- with a minimum service period -- an ESOP package with retroactivity from calendar year 1999. The ESOP plan, which has a vesting period of three years, is contingent upon the Asset Management Company achieving business plan goals. As well, the valuation of the options is based on a pre-set formula. The idea of the ESOP program is to align the individual with corporate goals. Some of the leading AMC's/MNC's are sending their employees to reputed institutes in foreign countries to upgrade their skills as well as to reward and motivate the performing employees further. Some of the leading MNC's and financial institutions have also made arrangement with local management institutes to design tailor-made courses for training their employees.

Recently some of the companies started giving joining bonus to attract good managers with good track record. Besides there are other ways of tackling the problem by providing congenial work environment, career path, and performance linked financial incentives and also rewarding the performing employees by way of rewards in cash/ kind etc. But there are some limitations as all the companies cannot provide all the incentives to satisfy the increasing expectations of the present day managers as they have to consider their size and their affordability.

Employee attrition continues to affect organizations large and small, local and multinational and may impact the growth and prosperity of the company. Similarly, the exit of experienced fund managers also affects the performance of the fund temporarily as the style differs from one fund manager to another. Intimate knowledge about the corporate world is very vital for the fund. The employee attrition problem is a global issue and at times may be difficult to manage but can be tackled by careful planning and well thought out proactive HRD policies.

### Conclusion:

It can be concluded that most important reason of attrition is Compensation, because plenty of opportunities are there in the market for experienced, well qualified employees if they switch over to other companies and they will pay more. There are many push, pull and personal factors are involved and initiating the thought of turnover among employees. Organization should be alert and frame some necessary strategies to reduce attrition so that they can reduce the expenditure of employees for recruitment, training and development.

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