

Attrition Issues and Retention Challenges of Employees

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Abstract— In today's fiercely competitive business landscape, success hinges much on the retention of employees. In a knowledge driven economy, it is the people who are emerging as key competitive differentiators and retaining the talent has become a matter of paramount importance. But swelling attrition levels across the businesses are strait-jacketing the distraught HR practitioner's ability to come out with good retention strategies. Willy-nilly, attrition is here to stay and is not a fringe concern for the companies any more. The trick lies in having sound human resource practices in place that can effectively combat the scourge of attrition. This article would provide an insight into the various issues surrounding the problem of attrition and what major challenges are being faced in retaining the employees. Acquiring skilled workforce is not just enough in today's changing economy; instead a lot needs to be done to retain them. Losing knowledgeable and trained employees can cause serious damage to the company's progress and performance in the market.

Index Terms—

1 INTRODUCTION

Companies in India as well as in other countries face a formidable challenge of recruiting and retaining talents while at the same time having to manage talent loss through attrition be that due to industry downturns or through voluntary individual turnover. Losing talents and employees result in performance losses which can have long term negative effect on companies especially if the departing talent leaves gaps in its execution capability and human resource functioning which not only includes lost productivity but also possibly loss of work team harmony and social goodwill. With attrition rates being a bane of every industry, companies are devising innovative business models for effective retention of talent. There are a lot of factors responsible for attrition and employers are getting increasingly conscious of the factors that can keep an employee committed.

2 ATTRITION ISSUES

Attrition may be defined as gradual reduction in membership or personnel as through retirement, resignation or death. In other words, attrition can be defined as the number of employees leaving the organization which includes both voluntary and involuntary separation. The employee gradually reduces his/her ties with the company than crib about the underlying factors causing attrition. It is symptomatic of a much deeper malaise that cuts deeper into the innards of organizations. Attrition rates vary from sector and industry to industry.

Apart from the unavoidable ones like resignation, retirement, death or disability, the causes are found to be many and varied. They vary according to the nature of business, the level of the employees and the nature of the responsibility should

dered by them. The obvious, common and main reasons are the 'ergonomic discomfort' experienced by the employee and the 'functional incompatibility' between the corporate management and the employees. Very often an employee finds himself among colleagues and superiors he is unable to cope up with. Or he finds himself totally out of tune in his functions with the employee's functional requirements, failing to rise to the employer's expectations. Another important reason is that the employee's remuneration is not voluminous enough to bear the brunt and cushion the concussions of his family and social life.

3 Factors affecting Attrition

Some of the factors affecting attrition are:

3.1 'Money' is the culprit

Companies are wooing the best of the talents with mind-boggling salary levels and attractive designations; therefore an employee leaves an organization for another for a few thousands of rupees.

3.2 Lack of Career Mobility and Challenges

Given the choice between money and a challenging job, many employees may still prefer the latter as it allows them an opportunity to broad base their domain expertise and also provides an opportunity to work with cutting-edge technology. If the organizations do not deliver on these expectations, employee exodus cannot be contained.

3.3 Working Environment

An employee may leave an organization if the fairness of the system does not inspire his/her confidence.

3.4 High Levels of Stress and Lack of Work-Life Balance

Companies in the zeal to squeeze out every little ounce of productivity from the employees and further increase profitability. Sooner or later this makes employees stressed out and they rethink about their priorities and join an organization that promises a relaxed pace work and a breathing space.

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3.5 Lack of Confidence in Supervision

It may sound cliché but the fact is that many employees leave an organization because of the immediate superior. If the supervisor lacks competence, empathy and trust in employees, they will fail to command the respect of the subordinates. (1).

3.6 Lack of Employee-job Fit

Employee's innate talent & aptitude are given a short shrift. There is a widespread notion that the employee's natural flair *per se* is not as important as new skills and knowledge acquired on the job: that with the learning attitude and training employees can do wonders in any job, but its not true and it creates immense frustration in employees, as employees demonstrate a good deal of commitment, job satisfaction, self motivation and productivity when they are assigned a job that is in tune with their natural talents.

3.7 People don't get integrated

Most organizations have an orientation program which is more of data-dump or focused on compliance trainings being completed. The focus should be more on enabling employees to form networks within themselves.

3.8 Goal setting unscientific & performance goals are unclear

Most organizations impose a normal curve fitment, but do not train managers to set realistic goals or goals that tie up with organizational or functional goals and rarely are performance goals thought through and employees told as to which resources to approach for help.

3.9 Lack of Role Clarity

Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

3.10 Lack of Proper Feedback

Most team members enjoy frequent feedback about how they performing. Shortening the feedback loop will help to keep performance level high and will reinforce positive behavior. But now-a-days firms fail to realize the importance of feedback mechanism, which in turn creates dissatisfaction among workforce.

4 ATTRITION SCENARIO IN INDIA

Almost all the sectors in India are facing attrition, but the reasons and effects are unique to each sector. The attrition rate in different sectors are depicted in Figure 2, While the IT Enabled services has the highest attrition rate, other sectors that are currently facing significantly high attrition are Telecom, Pharmaceuticals, Retail etc. As a result, every organization is

now striving to put into practice several measures to counter attrition, right from identifying the root cause to making the right hires. Though there is no specific data available on the gender differences in attrition levels, it has been found that women employees are less likely to switch job, merely for a modest (10-15%) hike in salaries. If given the 'right environment', which implies work-life flexibility, women tend to stay longer than men in job.

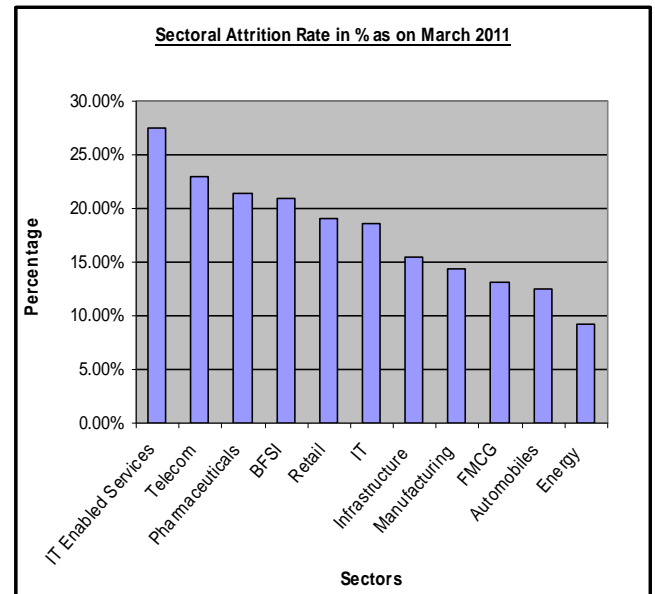


Figure 2: Attrition rate across various sectors

Source: survey conducted by HR Consultancy Firm Aon Hewitt.

5 IMPACT OF ATTRITION

The attrition of employees has a lasting impact on the firm's bottom line. When an employee quits, the need for replacement arises, the organization incurs some tangible costs. The impact ranges from costs of replacement to culture management issue with the new recruit.

5.1 Direct impact

A high attrition indicates the failure on the company's ability to set effective HR priorities. Clients and business get affected and the company's internal strengths and weaknesses get highlighted. New hires need to be constantly added, further costs in training them, getting them aligned to the company culture, etc.,—all a challenge

5.2 Indirect impact

Typically, high attrition also leads to a chronic or systemic cycle—attrition brings decreased productivity, people leave causing others to work harder and this contributes to more attrition. All this has a significant impact on the company's strength in managing their business in a competitive environment

6 POSITIVE IMPACT OF ATTRITION

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 only concern is how organizations differentiate “good attrition” from “bad attrition”. The term “healthy attrition” or “good attrition” signifies the importance of less productive employees voluntarily leaving the organization. This means if the ones who have left fall in the category of low performers, the attrition is considered being healthy. Attrition rates are considered to be beneficial in some ways.

- If all employees stay in the same organization for a very long time, most of them will be at the top of their pay scale which will result in excessive manpower costs.
- When certain employees leave, whose continuation of service would have negatively impacted productivity and profitability of the company, the company is benefited.
- New employees bring new ideas, approaches, abilities & attitudes which can keep the organization from becoming stagnant.
- There are also some people in the organization who have a negative and demoralizing influence on the work culture and team spirit. This, in the long-term, is detrimental to organizational health.
- Desirable attrition also includes termination of employees with whom the organization does not want to continue a relationship. It benefits the organization in the following ways:
 - It removes bottleneck in the progress of the company
 - It creates space for the entry of new talents
 - It assists in evolving high performance teams
- There are people who are not able to balance their performance as per expectations, lack potential for future or need disciplinary action. Furthermore, as the rewards are limited, business pressures do not allow the management to over-reward the performers, but when undesirable employees leave the company, the good employees can be given the share that they deserve.

Some companies believe attrition in any form is bad for an organization for it means that a wrong choice was made at the beginning while recruiting. Even good attrition indicates loss as recruitment is a time consuming and costly affair. The only positive point is that the realization has initiated action that will lead to cutting loss

7 ANALYZING THE IMPACT

Productivity and profitability are both impacted, either negatively and positively, according to the type of attrition. Even good attrition is indicative of loss as recruitment is a time consuming and costly affair. “It is tantamount to investment that has gone astray. Having said that, good attrition minimizes the adverse impact on business while bad attrition accentuates the loss,” stated Nair. The cost of hiring is sometimes not less

than two to three times the salary of the employee.

The impact on work progress is tremendous, particularly if a project is underway and one of the key people leaves. “It leads to dip in entire organizational efficiency, and a lot depends on how it is able to cover the setback,” pointed out Rao.

Organizations should execute top of the line retention policies in the right earnest and consistency. They should be more employee-centered and look for further ways to “bond” employees to their companies. “Company performance is optimally aligned to the skills its employees possess. High attrition implies that certain necessary skills are vulnerable or are not present due to employees being lost. This results in lower than optimal levels of business performance. If the skills are constantly not available, the situation gets compounded into a crisis with key projects, revenues, etc., getting affected. Business is then reduced to just managing crisis,” added Bhardwaj. For example, a 2 percent attrition difference can make a significant difference in the ultimate business impact.

8 RETENTION CHALLENGES

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problem that plague companies in the competitive marketplace. Not too long ago, companies accepted the “revolving door policy” as part of doing business and were quick to fill a vacant job with another eager candidate. Nowadays, businesses often find that they spend considerable time, effort, and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future.

Employees need to be retained because good, faithful, trained and hard working employees are required to run business. They have acquired good product knowledge over the long run and a trained employee can handle customers better and also solve problems of peers who are new to the organization. When an employee leaves he takes away with him all company information such as ongoing projects, etc. Goodwill of the company gets hampered due to more employee turnover rate and the competitors start poking their nose to recruit best talents from them. Efficiency of work is hampered to a large extent. Let me give you an example – If an employee leaves in the middle of an ongoing project its very difficult to fill that Vacuum and a new employee can never replace an old and talented employee so this leads to delayed completion of projects and less work satisfaction among other team members

9 RETENTION STRATEGIES....

When we are aware of the facts leading to attrition of an employee we can take few measures to retain them.

They are –

1. Provide good working conditions and introduce positive

work culture so that an employee is at ease and not stresses while working.

2. Appreciate all the good work and mentor him where he his wrong. He will feel at ease and will be delighted that the company cares for him.

3. The management should check that there is no miscommunication between the top management and employees because a wrong message is really dangerous.

4. Flexible working hours for those who really need to fulfill other important personal obligations.

5. Work life balance is very much necessary because if an employee has personal conflict will not work and finally leave.

6. Bonus should be given occasions and pay should be raised if an employee does good work.

7. Provide medical benefits.

8. If possible provide him with an insurance policy so that he feels that company cares for him.

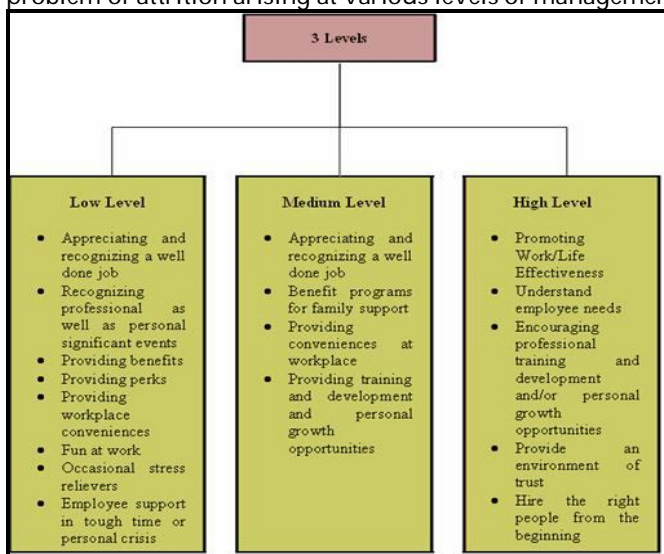
9. Recruit right person for the right job because a mismatch will hamper the work and cost a lot to the company.

10. Train the employees from time to time so that their skills enhance and they serve the organization better.

11. Have faith in your employees and include them in important decision making so that they feel they are part and parcel of the company.

Each and every company has to understand the needs of its employees and work accordingly. One approach cannot fit all, so each and every company should devise its own methods of retaining employees apart from what is always practiced.

Figure 3, throws light on the retention strategies that may be adopted to retain employees in all the three levels of management i.e. Top, Middle and Lower levels, since every level requires a different treatment because of the difference in designation, status in the organization and varied pay structures. Adopting the right kind of strategy can help to combat the problem of attrition arising at various levels of management



Source:<http://retention.naukarhub//retention-strategies.html> (16)

Figure 3: Retention Strategies for different levels of Management

The figure 3 above clearly explains that how money and understanding can create a congenial environment specially for the lower managerial level, whereas for the middle level managers appreciation of their work and various benefit programs for their families and training programs act as major attrition blocker. The high level management retention strategies includes creation of trustworthy environment and freedom of decision making, thus by understanding the needs of various levels of management an effective retention strategy can be formulated

10 CHALLENGES AHEAD.....!!!!

Job Attrition is an ongoing phenomenon and has to be dealt with psychologically. Giving a hefty pay need not satisfy an employee totally. It is the responsibility of the HR Department of the company to look at factors beyond immediate pay and find out the motivational factors giving job satisfaction to the employees. The companies have to try to create a congenial work environment and offer a promising scope for career growth for the promising performers. The HR Department should be made the part of the corporate strategy making team and a comprehensive HR Policy should be framed by experts, if necessary taking the advice of an outside consultant. Organizations should set a standard while deciding employee compensation levels and improve the reward structure year after year.

Involvement of employees in the decision-making process is the path to the feeling of emotionally engaged outcomes such as a feeling of being an important and integral part of the company. Psychometric tests should be included in the interview process to assess the behavior of the candidates. An internal program to receive employees' feedback through a feedback form at the time of bi-annual appraisal should be implemented. It offers to better rate the management performance and strategies can be carried out accordingly. Some organizations are employing handicapped people. This is profitable for organizations since they are known to be more loyal and accept a lesser pay than their physically able colleagues.

11 SOME RECOMMENDATIONS FOR EFFECTIVE RETENTION

11.1 Employee Stock Option Plans/Schemes (ESOP/ESOS)

The employee stock option plan is a good management tool for retention of human talent and guarding against poaching of staff of a running organization by a rival company. ESOP in India is regulated by Securities Exchange Board of India (SEBI). According to guidelines issued by SEBI "employee stock option" means the option given to the whole-time Directors, Officers or employees of a company which gives such Directors, Officers or employees, the benefit or right to purchase or

subscribe at a future date, the securities offered by the company at a predetermined price.

11.2 Stock Appreciation Rights (SARS)

Under an SARS, a certain number of shares are allotted to the employees. After the vesting period, the employee is free to exercise his option, and if the value of the shares has appreciated he is given shares or cash worth this appreciated value. If he is allotted shares equivalent to his appreciated value, he can sell them after a lock-in-period. The advantage of SARS is that it is a cashless transaction for the employees.

11.3 Sweat Equity

When a company is newly formed or starts a new line of business, the company engages the best executives and employees available, who bring in their IPR (Intellectual Property Rights) and know-how, skill and expertise with them, which make a value addition for the company. Certain key professionals would like to invest in the company's capital and would like to risk their own contribution to the capital of the company along with their own IPR, know-how, skill and expertise. Such employees would like to be a strategic part of the promoter group and would like to make value addition to their capital invested in the company. Such an employee is awarded with Sweat Equity as an incentive to join the company.

Sweat equity shares to mean equity shares issued by the company to employees or directors at a discount or for consideration other than cash for providing the know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called. It is, therefore, necessary for the issue of sweat equity shares that the concerned employee either provides the know-how, intellectual property rights or other value additions to the company.

11.4 'Golden Hello' and 'Golden Handcuffs'

The golden hello, as the name suggests, is an incentive offered to a select set of new recruits, mostly middle and senior-level executives poached from rivals who are well known in industry or are skilled in a niche area. The bonus could be in the form of ESOPs, cash incentives, non-cash incentives or a combination of all three. Golden Handcuffs: Any terms or restrictions that make it prohibitively expensive for the executive to leave employment, usually because he or she would be forfeiting significant stock options, restricted stock or other type of bonus or equity.

11.5 Retention Bonus

Retention bonus is an incentive paid to an employee to retain them through a critical business cycle. Retention bonuses have proven to be a useful tool in persuading employees to stay. A retention bonus plan is not a panacea. According to a survey, non-management employees generally receive about 10 percent of their annual salaries in bonuses, while management and top-level supervisors earn an additional 50 percent of their annual salaries. While bonuses based on salary percentages are the generally used, some companies choose to pay a flat figure. In some companies, bonuses range from 25 percent

to 50 percent of annual salary, depending on position, tenure and other factors. Employees are chosen for retention bonuses based on their contributions to management and the generation of revenue. Retention bonuses are generally vary from position to position and are paid in one lump sum at the time of termination. A retention period can run somewhere between six months to three years. It can also run for a particular project. As long as the project gets completed, the employees who have worked hard on it are entitled to receive the retention bonus. For example, the implementation of a system may take 18 months, so a retention bonus will be offered after 20 months.

4 CONCLUSION

Organizations planning for the future should be giving close attention to why attrition is occurring in the present. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. To recognize and cultivate these valuable assets is one of the surest ways to build an organization that leads rather than follows in domestic and global markets.

Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally. Proficient employees keep the quality up and business operations run smoothly along with the cost saving in the longer run paper.

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